

GAS INDUSTRY STANDARDS BOARD
Title Transfer Tracking Task Force Meeting
8:00 a.m. to 5:00 p.m., June 3-4, 1998

Final Minutes: June 3, 1998

I. Introductory Items

Ms. McVicker opened the meeting and asked Mr. Hahn to give the antitrust advice and housekeeping information. The participants introduced themselves and Ms. McVicker thanked the host of the meeting Texaco, Inc. for providing the facilities and breakfast.

II. Presentation of Model by Mr. Nowak

Mr. Nowak gave a description of a model combining both the account model and the operator model which had been posted as a workpaper and is attachment 1 (Transfer Model, dated 5/12/98) of these minutes. He explained this was a system which Natural Gas Pipeline Company is presently using at their company and believes it satisfies some of the issues the operator model was attempting to satisfy. A definition for the terms "AH" and "3PAD" was given as "Account Holder" (AH) and "Third Party Administrator" (3PAD) as the parties in the title transfer tracking model being presented. Identified as issues were title and timing. It was clarified that either a TSP and/or a 3PAD could perform TTT, but neither is required to do so. On the issue of title, a 3PAD is not required to hold title but not precluded either. As Mr. Nowak described the model the issue of what information the producer and operator would have available was bookmarked for the Information Requirements Subcommittee.

Specific issues identified were: 1) What is the information that is collected and passed along, 2) Are they passed as a nomination or a confirmation and 3) how do you reconcile contractual and physical flows? Mr. Hartmann asked that the different roles of the parties be identified and this was done. Mr. Nowak drew an example to show the flow of the information as follows:

The following refers to Diagram 1, Attachment 2.

Point of delivery	Tracking Title	What they do with their gas
1	30	transport 20 sell 10 to A
2	10	sell 10 to A
3	10	sell 10 to B
4	50	sell 20 to A and 30 to B

1	20 away from point
A	sells to B 5 and 15 to D
B	transport 15 and sells 10 to E and sells 20 to B and 30 to C
C	transports 30
E	transports 10

The following questions were captured for future handling:

What information is available?

What information is available to the operator?

What information is available to A?

What information is available to B, C D and E?

Information available to the TSP:

<u>U/S</u>	<u>S/R</u>	<u>D/S</u>	<u>Quantity</u>
1	1	?	20
A	D		15
B	D		10
A	B		5
3	B		5
4	B		5
B	E		10
4	C		30

Confirmation of TSP to Operator:

Nominations received

<u>U/S</u>	<u>Qty</u>	<u>Opr</u>	Lesser of Rule (" <u>LOR</u> ")
1	20	30	20
A	20	0	0
B	20	10	0
3	5	10	5
4	35	50	35

All nomination Information:

	<u>U/S</u>	<u>S/R</u>	<u>D/S</u>	<u>Quantity</u>
1	1	1	1	20
2	1	1	A	10
3	2	2	A	10
4	3	3	B	10
5	4	4	B	20
6	4	4	C	30
7	1	A	B	5
8	1	A	D	5
9	2	A	D	10
10	3	B	B	5
11	A	B	B	5
12	4	B	B	5
13	3	B	D	5
14	4	B	D	5
15	4	B	E	10
16	4	C	C	30
17	A	D	D	15
18	B	D	D	10
19	B	E	E	10
20	1	1	?	20
21	A	D	?	15
22	B	D	?	10

23	A	B	?	5
24	3	B	?	5
25	4	B	?	5
26	B	E	?	10
27	4	C	?	30

It was stated that Nos. 1-27 were all transmitted to the Transportation Service Provider. No. 10-12 and 16-19 are duplicates when looking at the receipt side (i.e., the Service Requester and the downstream shipper are the same) and when looking at the delivery side (i.e., the Service Requester and downstream shipper are the same).

The following example was presented when the TSP tracks all TTT:

<u>Party</u>	<u>Quantity</u>
1	30
2	10
3	10
4	50

It was stated that if you did not have a policy that producers or working interest owners did not nominated TSPs could still construct the TTT information and get validation in the confirmation process. The following example was presented:

<u>U/S</u>	<u>Quantity</u>
1	30
2	10
3	10
4	50
A	20
B	<u>20</u> [add underline under the "20"]
	140

The question "What is a nomination and what is a confirmation?" was asked. The following example of a 3PAD receiving all the information and doing TTT was presented:

TSP	3PAD		
<u>Party</u>	<u>Party</u>	<u>Quantity</u>	
1		10	All transactions go to the 3PAD
2		10	
3		10	
4		50	
or			This information would then be what is sent to the TSP which has been built by rolling up and seeing which are not originating nominations.
1	A	10	
2	A	10	
3	B	10	
4	B	20	
4	C	30	

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8:00 a.m. to 5:00 p.m., June 3-4, 1998

FINAL MINUTES -- June 4, 1998

I. Introductory Items

Ms. McVicker opened the meeting and asked Mr. Hahn to give the antitrust advice and housekeeping information. Ms. McVicker thanked the host of the meeting Texaco, Inc. for providing the facilities and breakfast.

II. Continuation of Modified Transfer Model Presentation

Mr. Nowak continued to present the model as he had the previous day. The following is an example of a 3PAD doing all the tracking:

Downstream 3PAD

<u>3rd Party</u>	<u>TSP Party</u>	<u>Quantity</u>
	B	5
	D	25
	E	10

or

A	B	5
A	D	15
B	D	10
B	E	10

The following example is where there are multiple 3PADs:

Downstream		3PAD-1-tsp	
<u>3PAD</u>	<u>3rd Party</u>	<u>TSP Party</u>	<u>Quantity</u>
1		B	5
1		D	15
2		D	10
2		E	10
	<u>3PAD Party</u>	<u>3rd Party</u>	<u>TSP Quantity</u>
1	A	B	5
1	A	D	15
2	B	D	10
2	B	E	10

The efficiency of an unbridled vs a structured approach was discussed. Mr. Scheel stated the mission was to have a model that allows for the process to work. The value in analysis of the different scenarios was certainly needed to see which is more efficient.

Ms. Barnum asked how one would know if there was a 3PAD at a particular point. Mr. Lander stated there would be some individualized mechanism which would evolve in the market place to inform interested parties of the existence of a 3 PAD at that point. The questions of what is the minimum criteria that a 3PAD would perform and whether a 3PAD would be regulated came up. Ms. McLean asked if it was possible for the group to explore having TTT at pools only instead of at each point. It was stated that there were small players that did not use pooling and others who would not use pools for other reasons.

After lunch, Ms. McVicker stated she would like to take a sense of the room on the following questions:

- 1 Is the Modified Transfer Model the model on which the group wants to focus?

Discussion:

Ms. McVicker stated, in response to a question, that there were several options from which the group could choose: the Account Model, the Operator Model, the Transfer Model as originally laid out and the Modified Transfer Model. It was stated that this vote is to decide the "how" of TTT and did not identify the "who."

Diane asked the questions: "Is the Modified Transfer Model the model on which the group wants to focus?"

Action:

Voting resulted in: 23 in favor, 0 opposed, 0 abstained. Motion passed.

Mr. Nowak asked for a sense of the room on the following: Is there is agreement among the group that the methodology of the Transfer Model is the direction we should proceed?

Discussion:

Mr. Nowak was asked to define the specific issues. He stated that the question of the exchange of information and a subset of what the information is were issues.

Action:

Voting resulted in: 4 yes, 1 no, 19 I don't know

2. Does this group believe the market should drive Title Transfer Tracking services?

Discussion:

Mr. Scheel asked if this group was ready to decide this question as there was still the need to analyze the options for one or the other. Mr. Lander stated the operative assumption was that the group believes the market should drive the services. Ms. Unruh asked if really the question was whether the pipelines have to do Title Transfer Tracking.

The question was then amended to three questions: (The vote was to chose between A, B, and C)

- A. Does this group believe that GISB should enable an open Title Transfer Tracking market? (voting resulted in 17 in favor)
- B. Should GISB prescribe who provides Title Transfer Tracking Services? (voting resulted in 0 in favor)

C. I need more information to make a decision. (voting resulted in 7 in favor)

3. The following is the definition for "Title Transfer Tracking":

Title Transfer Tracking is the process of tracking title from party to party at a location.

Action:

Voting resulted in: in favor 22, opposed 0, abstained 0. Motion passed.

Discussion turned to the creation of a term for title transfer confirmation. Various options were discussed and the need to have a different term. The term title transfer information exchange (t-tie) was offered. The group then turned to the open issues and the following list resulted:

1. What is the information that will be exchanged between the TSP and 3PAD?
2. What is the information that will be exchanged between the AH and 3PAD or AH and the TSP?
3. What is the timing of item one?
4. What is the timing of item two?
5. What are the 3PAD responsibilities?
6. What is the arrangement between the 3PAD and the TSP?
7. What happens when there is no communication by the AH to 3PAD or the AH to the TSP as 3PAD?
8. If a 3PAD or TSP chooses to provide service on a TSP, is it mandatory that they provide service at all locations with respect to the TSP?

Voting on question 8 was requested and resulted in: 23 no, 0 yes, 0 abstained (it is not mandatory)

9. Prior to a 3PAD providing TTT services the 3 PAD should be formally identified to the TSP under an arrangement between them.

Voting on question 9 resulted in: 19 yes, 0 no, 3 abstained

10. As an operating convention, Service Requesters nominate transportation activity to their TSPs;
AH's nominate Title Transfer activity to their TTT service provider.

Voting on question 10 resulted in: 22 yes, 0 no, 0 abstained

Definition:

An Account Holder is a party using the services of a title transfer tracking service provider under a contract.

Voting on the definition resulted in: 22 yes, 0 no, 0 abstained.

11. A 3PAD is a Title Transfer Tracking Service Provider other than the Transportation Service Provider.

Voting on question 11 resulted in: 22 yes, 0 no, 0 abstained

12. AH's and SR should have the same nomination deadline.

Voting on question 12 resulted in: 21 yes, 0 no, 1 abstained.

III. **Adjournment and Next Meeting Discussion**

The next meeting of the Title Transfer Tracking Task Force will be on June 12 at the MGM Hotel

in Las Vegas from 8:00am to 3:00pm. Workpapers will be posted. Meeting adjourned at 3:30pm.

IV. Attendance

Allison McLean	Mobile Bay Pipeline
Ann Martin	Tennessee Gas Pipeline
Betty Barnum	PEPL
Bill Griffith	Colorado Interstate
Dale Davis	Williams Gas Pipelines
David Weathers	Texas Eastern
Diane McVicker	Salt River Project
Donna Scott	Enron Administrative
Gene Nowak	KN-NGPL
Greg Lander	TransCapacity
Iris King	CNG Transmission
Jean Ford	Andersen Consulting
Jerry Hahn	Texaco
Jim Buccigross	National Registry of Capacity Rights
Jim Studebaker	Enron/FGT
Joe Bianchi	ANR Pipeline
Julie Unruh	Koch Gateway Pipeline
Keith Higginbotham	Enron/NNG
Ken Schubert	TCPL
Kim Van Pelt	Texas Eastern
Krissy Montemarano	Sabine Pipe Line
Laurie McCauley	Williams – Transco
Lisa Hassold	PG&E Gas Transmission
Mark Scheel	NGC Corp
Melissa Casey	Northwest Pipeline
Renee Hyde	Southern Natural Gas
Rick Santerre	TransEnergy
Robert Mitchell	Sabine Pipe Line
Sheila Nacey	Enron/NNG
Tammy Hopkins	Enron/FGT
Tammy Lytle	Williams – Texas Gas
Theresa Hess	Enron/TW
Todd Meaux	KN-KNI
Tommie Hartmann	Exxon

Definitions:

TTT – Title Transfer Tracking

TSP – Transportation Service Provider

AH – Account Holder - entity other than a 3PAD who's title is tracked either by a TSP or a 3PAD

3PAD – Third Party account ADministrator – a third party whose AH title transfer activity is summarized and nominated to a TSP.

Transfer nomination – a zero distance transaction between two parties.

Description:

A TSP and/or a 3PAD have the option to perform TTT at one or both sides for any nominatable point.

At any one side of a nominatable point TTT activity can be:

not tracked

tracked only a by TSP

tracked only by one or more 3PADs

tracked by both TSP and one or more 3PADs

Features and Requirements:

No additional DRN locations will be needed.

AHs of the 3PAD need to nominate to the 3PAD by the nomination timelines.

3PADs and AHs of the TSP need to nominate to the TSP by the nomination timelines.

All transfer nominations must balance – ins equal the outs.

An AH of a 3PAD only submits transfer nominations to their 3PAD and indicates the actual entity who is giving/taking title to the gas as the upstream/downstream party.

An AH of a TSP only submits transfer nominations to the TSP and if the transfer involves an AH of a 3PAD, the nomination to the TSP should always reference the 3PAD as the upstream/downstream party and not the actual entity giving/taking title to the gas.

The 3PAD would accumulate and summarize of all its AH activity and nominate a balanced transfer nomination to the TSP.

Early in the confirmation process the TSP will confirm with all AH's and all 3PAD who nominated to the TSP.

Confirmation to the 3PAD will be at an AH of the TSP level only – not at the level of the AHs of the 3PAD.

Mismatched confirmations are corrected by a resubmittal of a nomination and considered timely (as long as the transportation nomination does not change).

Confirmation of transportation nomination would use the lesser of rule. If increases to the transportation nomination are needed, then those changes would be subject to intraday nomination requirements.

Once all TTT activity has been balanced, then the physical operators can complete the confirmation process.

Issues:

Title

TSPs need to insure that their shippers have good title to the gas that is being nominated to flow. TTT is the process of tracking the flow of the title from party to party. AHs communicate to either a 3PAD or a TSP a notification of title passing between AHs. The issue arises in this model when the 3PADs summarize the TTT activity of their AHs and supply it to the TSP. The fact that this information is summarized by the 3PAD is not inferring that the 3PAD is taking title. It only infers that the 3PAD have the information that can track back to the AHs of the 3PAD who are in fact the title holders. Therefore, in the eyes of the TSP, title has been tracked going into a 3PAD and then coming out of a 3PAD. Good title then can be inferred to its shipper.

Timing

The timing issue arises in this model at nomination deadlines. Nominations are due at the same time for both AHs to the 3PAD and TSP, as well as, the summary nominations of the 3PAD to the TSP. This has to stay consistent for all parties nominating. Any different deadlines will circumvent the already agreed upon timing for TSPs to post scheduled volumes. A different deadline for 3PAD would in fact shorten the volume-processing window, because confirmations could not begin until all nominations are received and balanced. Conceivably, the result of having two deadlines would cause parties to claim to be a 3PAD for only their activity, thereby giving them more time to match up their deals in comparison to other parties who don't claim to be a 3PAD. This model would require the 3PAD to give an "estimate" nomination based upon all the activity received when their nomination to the TSP is generated. If there are any "late" deals that an AH of a 3PAD nominate before the deadline, but after the 3PAD had generated their timely nomination to the TSP, then the 3PAD can communicate these to the TSP. This communication is completed using a nomination that would not be considered late, as long as it ultimately matches up with a timely transportation nomination. This model allows the confirmation to begin soon after the nomination deadline for a majority of transactions. The "late" deals would be handled on an exception basis.

EXAMPLE A

NOT TRACKED

TSP - X

TSP - Y

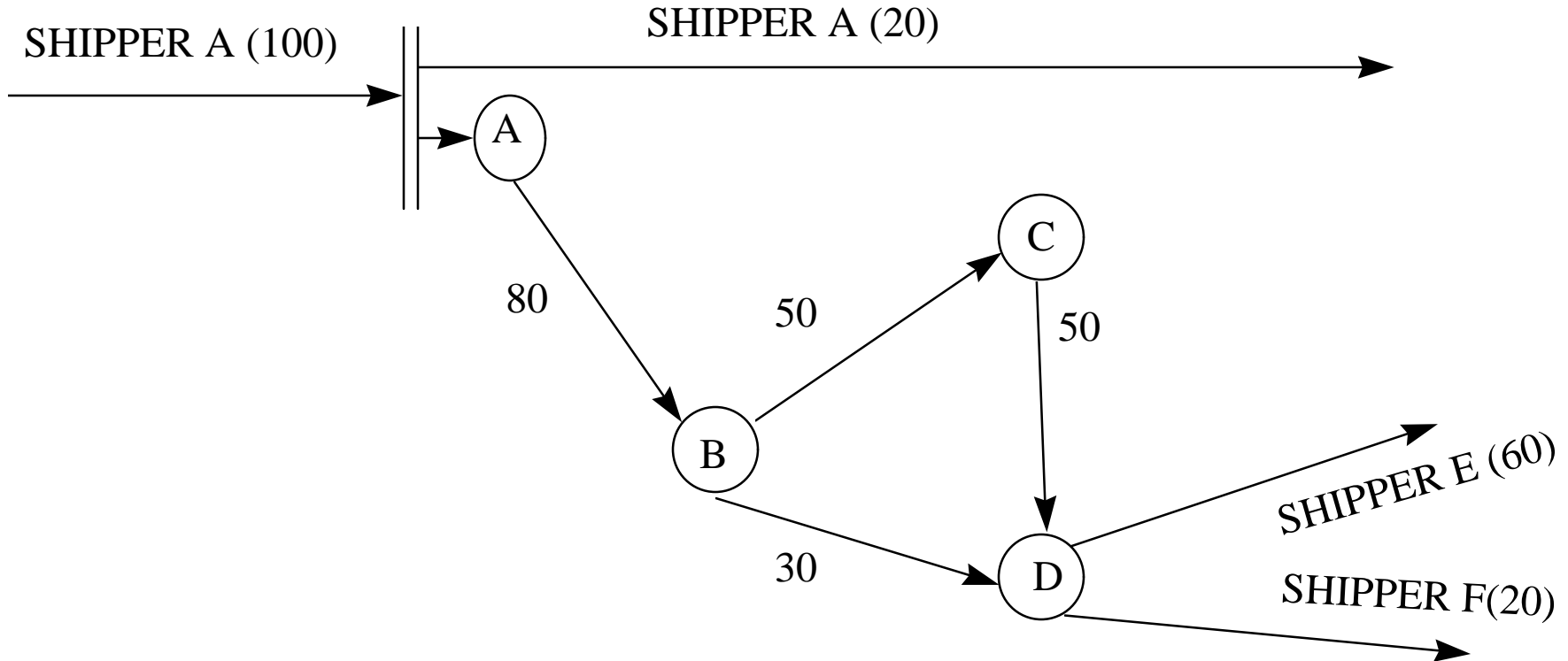


EXAMPLE B

TSP TRACKS

TSP - X

TSP - Y



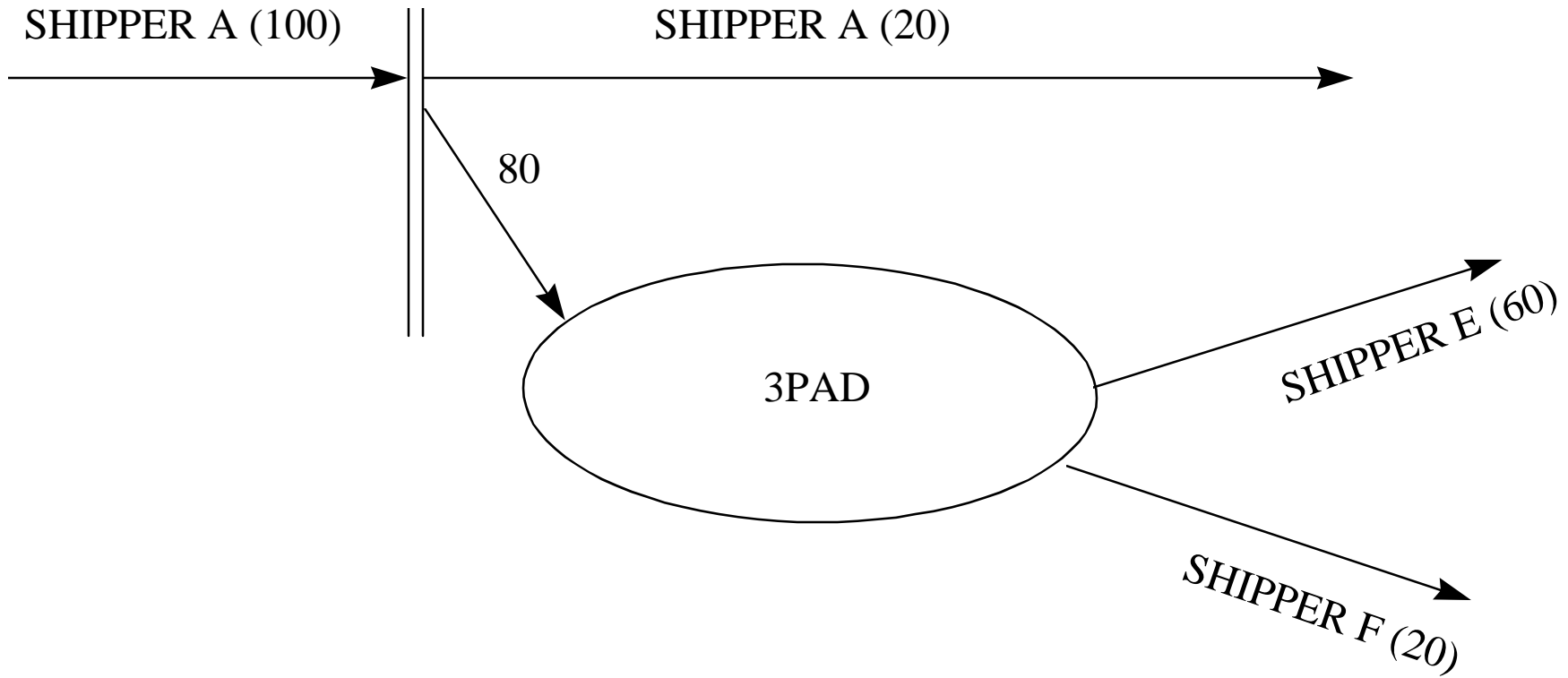
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EXAMPLE C

3PAD TRACKS

TSP - X

TSP - Y



05/26/98

EXAMPLE D

BOTH TSP & 3PAD TRACKS

TSP - X

TSP - Y

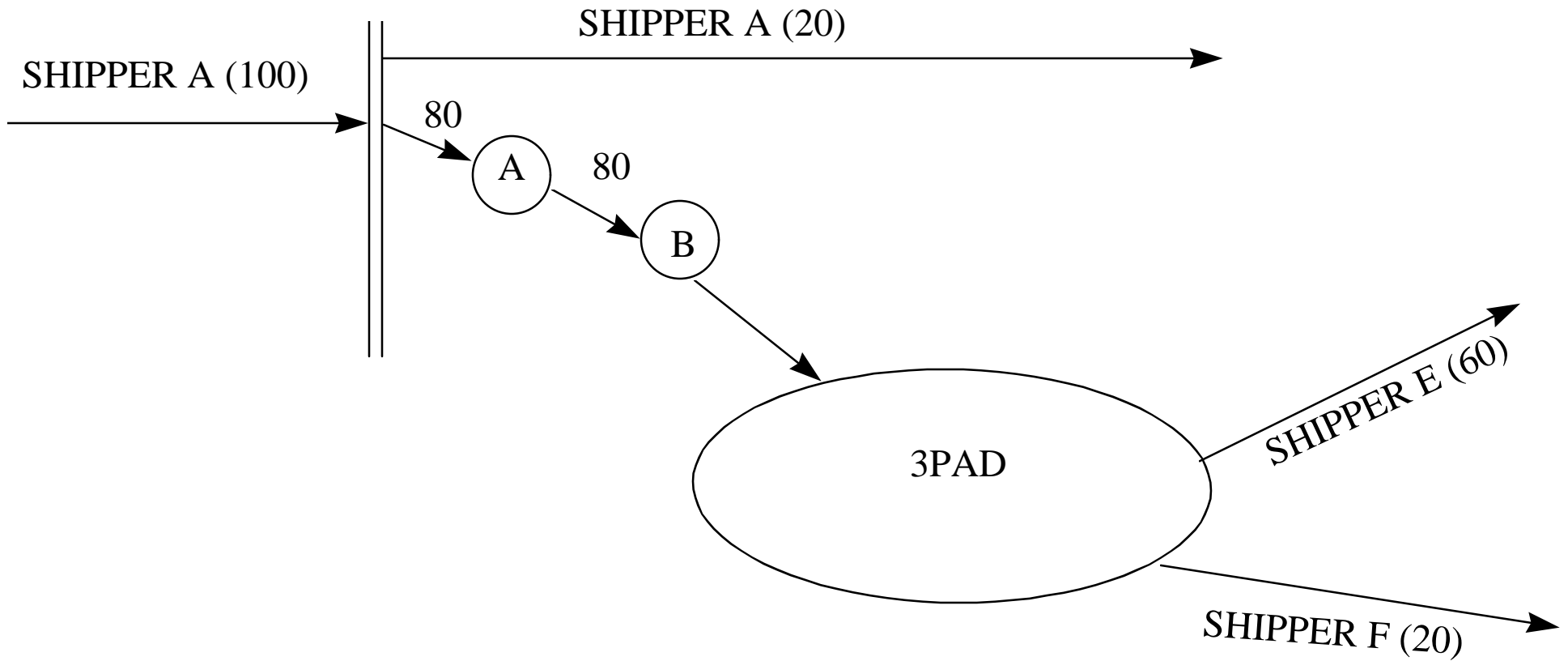


Diagram 1, Attachment 2

