

TRANSFER MODEL

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

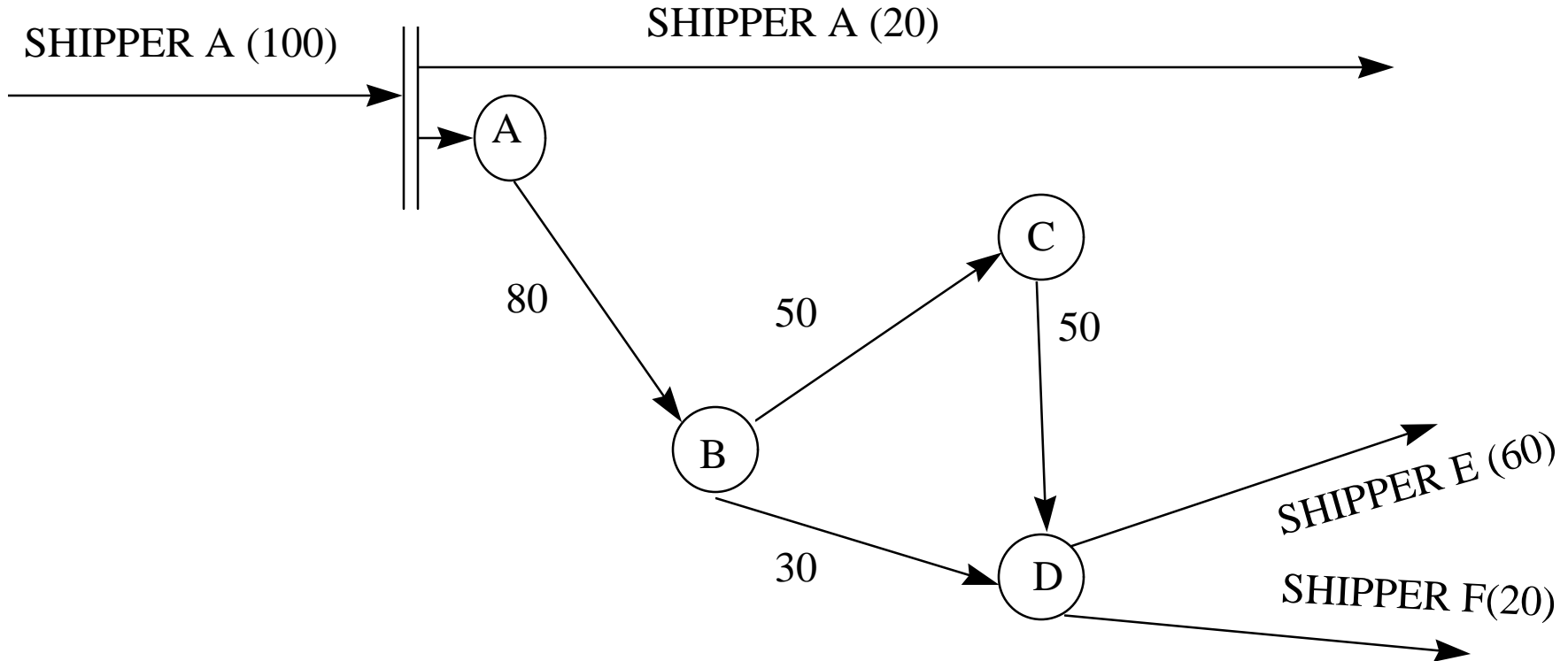


EXAMPLE B

TSP TRACKS

TSP - X

TSP - Y



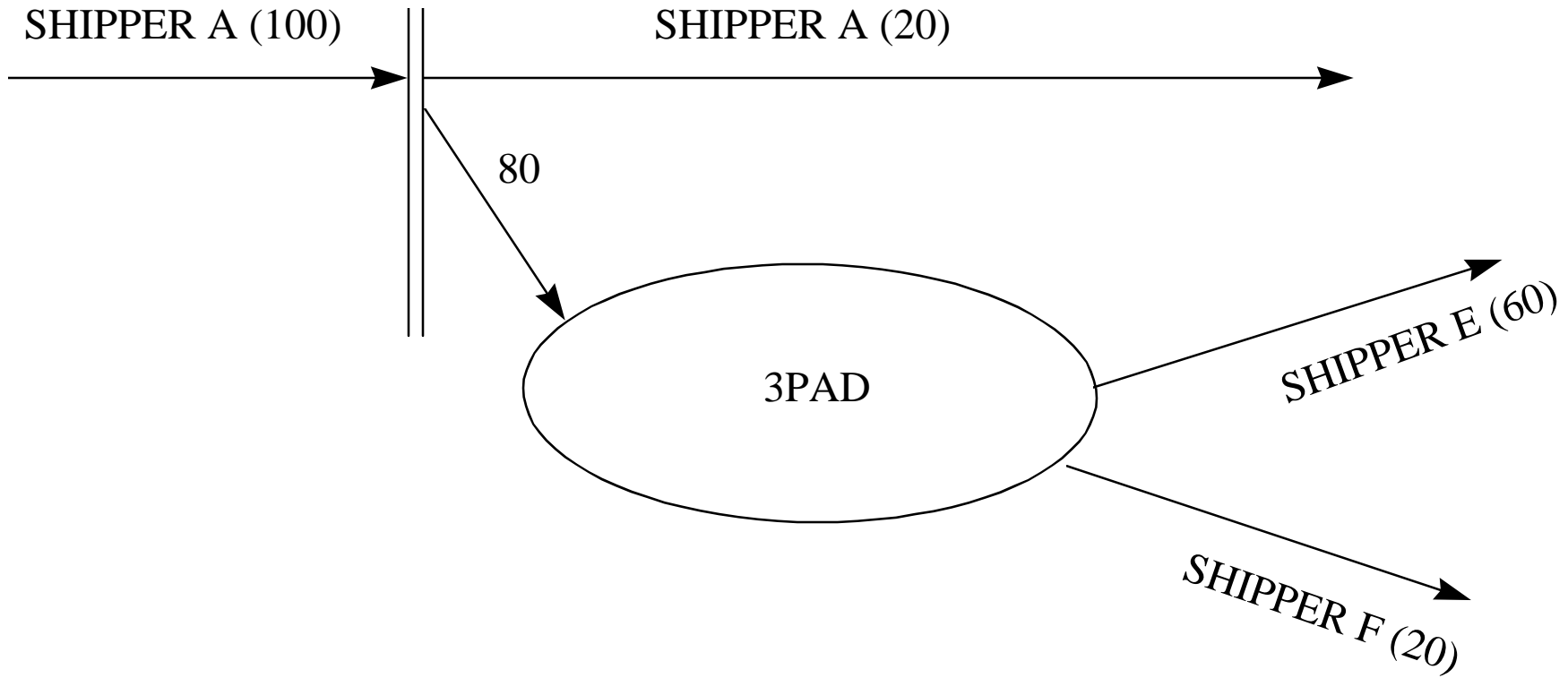
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EXAMPLE C

3PAD TRACKS

TSP - X

TSP - Y



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EXAMPLE D

BOTH TSP & 3PAD TRACKS

TSP - X

TSP - Y

