- Mr. Bogatz said that in many cases the problem is not only that a nomination was not submitted, but that the gas is simply not available. Ms. Chezar said she agreed with Mr. Bogatz that the problem is the impact on the reliability of the pipelines and the imbalance between the amount the electric generators appropriate versus the amount the electric generators submitted in the nomination. This issue was raised by pipelines two or three years ago with FERC when pipelines' services began to lose flexibility. Ms. Chezar added that the problem in New England last winter would still have occurred even if there were a standard energy day, but a standard energy day is the first step toward addressing those larger issues.
- Mr. Sappenfield said that the portion of the Dominion presentation that states the time period of 7:30 a.m. to 10 a.m. central clock time is not a hard and fast rule for the liquidity period of natural gas is only generally correct because 10 a.m. is the rule for the next day gas flow. Mr. Oberski responded that it is his understanding that the rule is 10 a.m. because of the time the nomination period starts.
- Mr. Desselle said that PJM and other RTO markets are looking at standardizing the market, and he asked the group if they were prepared for PJM and other RTOs to design that standardized market on behalf of the entire industry.
- Ms. Davis stated that the discussion centering on the need for pipelines to design different services rests on the presumption that pipelines have surplus for sale. She said that many pipelines are fully subscribed and in order for pipelines to design new services they would need to be able to recover the costs for the facilities to accommodate those services.

New York Companies:

National Fuel Gas Distribution

Mr. Novak provided the presentation for National Fuel Gas Distribution titled "New York Companies - National Fuel Gas Distribution Paper." The presentation is posted on the NAESB website at http://www.naesb.org/pdf/weq_wgq_bps012405w12.ppt. National Fuel also submitted a work paper for this meeting titled "New York Companies - Revised National Fuel Gas Distribution Paper" posted on the NAESB website at http://www.naesb.org/pdf/weq_wgq_bps012405w10.pdf. Mr. Novak noted that part of the disclosure statement includes the statement that this presentation does not represent the final position of National Fuel Gas Distribution.

The National Fuel Gas Distribution (NFGD) Problem Statement was to:

- Develop a standard energy day that would:
  - Apply to both the electric and gas industries.
  - Foster the coordination of scheduling between electric and gas.
  - Allow both the electric and gas industries to more closely match fuel deliveries to generation requirements.
  - Contain scheduling and gas flow timelines that also meet the needs of traditional gas customers.
  - Continue to promote safe, reliable service and operations.

Mr. Novak stated that even if gas generation becomes twenty-five percent of the full market load, the gas industry must still take into account the needs of the traditional customers and must continue to ensure safe and reliable operations. For now, NFGD would like the status

quo to remain the standard. The hesitancy of both industries to change the status quo is because it has worked so well, however there is also a need to address the disconnects between the gas and electric industries that do exist. Some alternatives to the gas day that were proposed a few years ago, such as having pipelines switch to a twenty-four hour a day, hourly nomination cycles, were ~~not as potentially beneficial~~more disruptive for the gas industry ~~as~~ than the proposed standard energy day.

Mr. Novak stated that a standard energy day is feasible, and the task is to determine which hour is the most cost effective and provides the most benefits. ~~Instead of~~As an alternative to a standard energy day, Mr. Novak proposed to change the gas day and to create an electric day that is synchronized with the gas day. The start of the standard gas day would change to 6:00 a.m. central time and the standard electric day would begin either at ~~6~~1:00 a.m. central time or ~~1~~6:00 a.m. central time (which, in the latter case, would create an energy day). The proposal would also develop a standard that requires that the electric day ahead market schedule ~~is~~ to be issued in advance of the gas timely nomination deadline, ~~such as~~e.g. at 10:00 a.m. central time, ~~would~~ create a no-bump intraday 3 nomination cycle for the gas scheduling timeline, and ~~would~~ make the corresponding modifications to capacity release/recall standards.

Mr. Novak said he essentially agrees with ~~although the~~ pipelines that are critical of the idea of compressing the nomination schedule, although for intraday cycles with fewer nominations, some compression might be possible. ~~degradation to those services, such as~~ The current nomination cycles accommodate capacity release and recalls; losing these features would be a degradation of service~~, have been implemented~~.

Once the high level concepts can be agreed upon, each quadrant should work separately to develop the actual standards. The NAESB reconsideration process and the number of participants who are able to participate in both quadrants' standards development will act as a check on each quadrant to avoid any standards development misstep.

Mr. Novak said that while it is impossible to match every gas flow start time with every peak consumption period, assets can adjust, portfolios can change over time, and eventually the proposed changes will enable the industries to align better than the status quo allows. While it is theoretically possible for personnel to change valves at midnight, it is still not as safe and desirable as doing the same during the day. Additionally, it makes more sense to process as many nominations as possible during normal business hours because coordination with suppliers and correcting for errors are communications intensive, i.e. dependent on human interaction.

~~Mr. Novak stated the gas industry's hesitancy to change the gas day from 9:00 a.m. is based on experience that the status quo works.~~ Mr. Novak also suggested ~~proposed~~ that the day ahead market schedule could be issued twice in coordination with the gas timely and evening cycles. This ~~to~~ might avoid the debate over whether the day ahead market schedule~~it~~ should be issued before or after the timely nomination deadline.

In the question and answer period following the presentation, the following questions were raised:

- Ms. Chezar said that while she agreed with Mr. Novak generally, she did not agree with the proposal because it would split two peak hours in the day. Ms. Chezar stated the reason for her disagreement was because KeySpan contracts for capacity supply on a daily basis and does so knowing the peak will occur at 6:00 a.m. the next morning. This enables KeySpan to make sure there is enough supply to meet the hourly peak. Ms. Crockett said the status quo poses the same problems for the electric industry that the 6:00 a.m. proposal would

pose for the gas industry. Mr. Novak said that he knew others agreed with Ms. Chezar, but the 6:00 a.m. central time was the best alternative to the status quo.

- Mr. Dison stated there would be little value if a second day ahead market schedule were issued because the purpose of the schedule is not for scheduling, but to get a preview of the hourly profile.
- Mr. Griffith asked if Mr. Novak evaluated the additional manpower and computer requirements for the proposed intraday 2 and 3 nomination cycles. Mr. Novak said it is projected that the third nomination cycle will have relatively low volumes and should not require more personnel than is required for the existing intraday 2 cycle, but he would consider modifications to his proposal.
- Ms. Lauderdale asked if Mr. Novak's group discussed the request for daily operational communications between pipelines and power plants. Mr. Novak responded that the group did not discuss the communication issue.
- Mr. Cox asked if the gas generation segment of the industry could implement a nomination cycle and scheduling cycle independent of the cycles for end use customers to accommodate the specific needs of gas generators. Mr. Novak said ~~the~~ that some pipelines that ~~have taken~~attempted to take that direction during the past few years ~~have~~ were not ~~been~~ successful. Mr. Novak added that any nomination cycles geared towards the gas generation segment would have to be coordinated with the bumping rules accommodated in the current nomination cycles. Mr. Cox asked if bumping assumes that there is a need for more capacity than can be delivered. Mr. Novak said that while that is part of the consideration, bumping also depends on who has the primary contract.
- Mr. Desselle asked Mr. Novak if NAESB should process the request for improving communication protocols between pipelines and electric power generators concurrent with the standard energy day request or prior to the standard energy day request. Mr. Novak said the communication protocols request should be done first.

NiSource

Mr. White provided the presentation for Nisource titled "NiSource Presentation" posted on the NAESB website at http://www.naesb.org/pdf/weq_wgq_bps012405w11.ppt. NiSource also submitted a work paper titled "NiSource Proposed Strawman Paper," posted on the NAESB website at http://www.naesb.org/pdf/weq_wgq_bps012405w5.doc.

Mr. White stated that the electric divisions of NiSource prefer a standard energy day, but have developed mitigation strategies for the existing 9:00 a.m. central gas day. The gas divisions of NiSource are concerned about the costs associated with developing a standard energy day and the operational impacts that could result from a standard energy day. Mr. White observed that the risk from the lack of a standard energy day can be mitigated through commodity, transportation and storage services.

NiSource set out the problem statement in its work paper: The Standard Energy Day NAESB Request R04016 asserts the lack of a common energy day increases the risk for electric power generators by requiring them to take binding positions far in advance of the natural gas day. Additional problems are too much time between nominations and actual daily requirements and the start of the natural gas day between some peak load periods.

Mr. White stated that NiSource proposes to maintain the status quo because there is no driving need for change. Additionally, if the gas day were changed to midnight, there would be negative consequences on natural gas reliability and safety. A standard energy day would