



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

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Home Page: www.naesb.org

via email and posting

TO: Gas-Electric Interdependency Committee and Managing Committee Members

FROM: Rae McQuade, NAESB Executive Director
James Cargas, NAESB Deputy Director

RE: Notes from NAESB Board of Directors Gas-Electric Interdependency Committee
Conference Call – November 17, 2004

DATE: November 19, 2004

Dear Gas-Electric Interdependency Committee Members,

A NAESB Board of Directors Gas-Electric Interdependency Committee (GEIC) conference call was held on November 17, 2004 from 10:00 a.m. to 11:15 a.m. Central. The conference call provided a forum for GEIC to establish the mission statement and begin a discussion of areas potentially amenable to resolution through standardization. The following notes and assignments resulted from the meeting.

- Administration:
- Mr. Jim Templeton, NAESB Wholesale Gas Quadrant (WGQ) Board Member and Managing Committee Member, facilitated the meeting.
 - Mr. James Cargas read the antitrust advice.
- Mission Statement:
- Mr. Templeton spoke of how the January 2004 cold snap analysis focused his attention on the many interdependencies between the electric and natural gas industries. He hopes this Committee will be able to look at these interdependencies from a total energy perspective rather than parochial gas only or electric only perspectives. In sum, this Committee will continue the work of the Gas-Electric Coordination Task Force (GECTF) now that it has completed its mission. He looked forward to the brainstorming to follow and the potential for NAESB to be proactive thereby forestalling any political solutions imposed on the industries.
 - The following amended GEIC Mission Statement was adopted by consensus (amendment underlined):

“The Chairman of the NAESB Board of Directors created the Gas-Electric Interdependency Board Committee on September 16, 2004. It reports to the Board Managing Committee and through that committee to the Board of Directors. In the last ten or fifteen years, natural gas use has risen from a fairly small contributor to the generation of electricity to today, where electricity generation is the market for approximately 25% of the total annual US natural gas market. To address this substantial increase in interdependence between natural gas and electric generation, this committee is tasked with identifying, at a 30,000 ft level, actions that might result in NAESB standards development, making the interaction of both industries more efficient and reliable.”



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Industry Presentations:

- Mr. Lyn Maddox gave a high-level summary of the current status of the natural gas industry and how it has become interdependent on one of its largest customers, the electric generation industry. He described its movement to more of a closed system, and reviewed operational and contractual tools that provide various degrees of flexibility to address unanticipated market or weather changes.
- Mr. Joe Stepenovitch gave a high-level presentation on the current status of the electric industry with an emphasis on his region, Florida. Unlike other parts of the country, Florida has had an informal power pool for 25 years that recently became a NERC region. He discussed how the Public Service Commission was very involved in determining generation capacity, but only recently took an interest in the requisite fuel supply. Transmission capacity remains a matter for county-level determination. Mr. Stepenovitch described how long-term and short-term planning are impacted by a variety of factors including ability to switch between fuel sources.

GECTF Report:

- Mr. Templeton led a discussion of the NAESB GECTF final report and some of the interdependencies it documents.
- Three requests for standards have resulted from this work and have been submitted: energy day (R04016), electric transaction scheduling and timelines (R04020), and daily operational communications between pipelines and power plants (R04021). There is probably a good chance that electric transactions scheduling and timelines along with gas nomination timelines might be rolled in with energy day.
- The issues were broken down into: (i) short term problems like time lines and scheduling, and (ii) long-term problems like pipeline capacity. NAESB is better suited to addressing the shorter-term issues.

ISO NE Proposal for 2004-2005:

- Mr. Templeton led a brief discussion of the proposals made by ISO New England to address gas and electric interdependencies for the Winter 2004-2005 heating season. Among other actions, ISONE tied the two nomination timelines closer together so that electric generation could get as much capacity as possible. This effort is worth watching as NAESB addresses similar issues.
- It was noted that the FERC is in the process of scheduling meetings between electric communities and the pipelines that serve them, and the committee should pay attention to those meetings. The chair will follow these meetings.

Possible Solutions:

- A new pipeline service was discussed that would be a hybrid between firm transportation (FT) and interruptible transportation (IT) and included the right to limited service that could only be used when needed. It was generally agreed that this idea would not be much help because in the winter when generators might need help the pipelines are generally full of firm customers although it might



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be of help in some instances.

- During the discussion, it was noted that electric companies in regulated markets may pass through the cost of FT, similar to the process used by LDC's Pass-through but not available in deregulated markets. Moreover, costs that can be passed through can vary from generation unit to generation unit.
- A reserve margin during pipeline construction could be created akin to the margin employed in electric generation, but it should exceed the safety margins that currently exist, and could depend on construction assumptions. This would probably require new certificates so require considerable time, years, to be available.
- It was also noted that standardization between the two industries of their curtailment rules could be beneficial. This might be discussed during the development of standards related to requests R04020 or R04021.
- Between now and the next meeting, Mr. Templeton will ask various members of the GEIC come to the next meeting prepared to address various ideas that came up at the 11-17-04 meeting as well maybe some new ideas.
- The next conference call will be scheduled in mid-January.

Action Items for
Next Call:



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ATTENDANCE

	Name:	Organization:	Committee Member:	NAESB Member:
1	Adrian	Chapman	Washington Gas	Y
2	Michael	Desselle	AEP	Y
3	Pete	Frost	Conoco Phillips	Y
4	Robert	Gee	Gee Strategies	Y
5	Leonard	Haynes	Southern Company	Y
6	Sheila	Hollis	Duane Morris	Y
7	Reed	Horting	PECO Energy Company	Y
8	Richard	Kruse	Duke Energy	Y
9	Lyn	Maddox	Prospect Energy	Y
10	Randy	Mills	ChevronTexaco	Y
11	John	Procario	Cinergy	Y
12	Richard	Rudden	RJ Rudden Associates	Y
13	Rick	Smead	Navigant Consulting	Y
14	Larry	Smith	El Paso	Y
15	Dennis	Sobieski	PSEG	Y
16	Joseph	Stepenovitch	Florida Power & Light	Y
17	Jim	Tempelton	Comprehensive Energy Services	Y
18	Gordon	Brown	California ISO	N
19	Kathryn	Burch	Duke Energy – Texas Eastern Trans.	Y
20	Christopher	Burden	Williams Gas Pipeline	Y
21	James	Cargas	NAESB	Staff
22	Dale	Davis	Williams Gas Pipeline	Y
23	Andrew	Dotterweich	Consumers Energy	Y
24	Kristin	Gillette	Kern River Gas Transmission	Y
25	Mark	Gracey	Tennessee Gas Pipeline	Y
26	Bill	Griffith	CIG	Y
27	Tom	Gwilliam	Iroquois Gas Transmission	Y
28	Tran	Kimbel	Dominion Resources	Y
29	Iris	King	Dominion Transmission	Y
30	Janie	Nielsen	Kern River Gas Transmission	Y
31	Micki	Schmitz	Northern Natural Gas	Y
32	Donna	Scott	Transwestern Pipeline Company	Y
33	Mike	Stender	El Paso Natural Gas	Y
34	Kim	Van Pelt	Panhandle Eastern Pipe Line	Y
35	Randy	Young	Gulf South Pipeline Company LP	Y