

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Standards for Business Practices of Interstate)
Natural Gas Pipelines) Docket No. RM96-1-015
)

**POST-TECHNICAL CONFERENCE COMMENTS OF
THE NATURAL GAS SUPPLY ASSOCIATION**

Pursuant to the Notice Organizing Staff Conference issued in the above-captioned proceeding on February 14, 2001, the Natural Gas Supply Association submits its post-technical conference comments.

I. COMMUNICATIONS AND CORRESPONDENCE.

Communications and correspondence regarding this filing should be directed to:

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II. INTRODUCTION.

In response to a Notice of Proposed Rulemaking issued by the Federal Energy Regulatory Commission (“Commission”) in this proceeding,¹ NGSA submitted initial comments addressing the method of confirmation used at production points.² NGSA urged the Commission to adopt a policy on confirmation at production points that would permit producers or producers’ agents identified in a nominated transaction under an existing transportation service agreement (“Upstream Entities”) to provide confirmation at production points directly to pipelines. NGSA argued that this policy would avoid the

¹ *Standards for Business Practices of Interstate Natural Gas Pipelines*, 65 Fed. Reg. 41,885 (July 7, 2000).

² Comments of the Natural Gas Supply Association, *Standards of Business Practices of Interstate Natural Gas Pipelines*, Docket No. RM96-1-015 (August 7, 2000).

administrative complexity of requiring pipelines to deal directly with all working interest owners on their systems and, at the same time, avoid harms associated with an “operators only” policy for confirmation at production points. This proposed policy also would provide those parties with the economic incentive to manage their gas supplies with the tools necessary to do so.

NGSA supplemented its position at the February 21, 2001 technical conference in this proceeding with a presentation by Ms. Lauren Kaestner of BP Amoco Production Company.

In these post-technical conference comments, NGSA addresses three additional limited issues:

1. Can a third party (other than an interstate pipeline) perform the function of confirming nominations?
2. Procedurally, how should the Commission address the issue of confirmation at production points?
3. What is the need for uniform Commission action at this time?

III. PIPELINES SHOULD BE RESPONSIBLE FOR CONFIRMING NOMINATIONS.

NGSA remains of the view that pipelines, rather than third parties, should be required to confirm nominations at production points with Upstream Entities. Pipelines have the existing information systems necessary to perform this function, and to ensure that the confirmation process is integrated into existing pipeline operations. No third party would be in a comparable position. The injection of a third party (other than an Upstream Entity, as defined above) into the confirmation process creates additional concerns regarding the preservation of confidential data. If any additional incremental burden on the pipeline could be established, such additional costs would be eligible for recovery through the pipeline’s rates pursuant to Section 4 of the Natural Gas Act.

IV. THE ISSUE OF CONFIRMATION AT PRODUCTION POINTS SHOULD NOT BE REFERRED TO GISB. AT A MINIMUM, THE COMMISSION SHOULD ADDRESS THIS ISSUE THROUGH A NEW NOTICE OF PROPOSED RULEMAKING.

No consensus regarding the issue of confirming nominations at production points has emerged from the GISB process. No useful purpose would be served by referring this issue back to GISB. At a minimum, the Commission should address this issue through a new (or supplemental) notice of proposed rulemaking, to ensure that all parties have an opportunity for notice and comment regarding this issue.

V. PROMPT COMMISSION ACTION ON THIS ISSUE IS RECOMMENDED.

In the absence of prompt guidance from the Commission on the issue of confirmation at production points, pipelines are likely to adopt a welter of inconsistent approaches regarding this issue. Some pipelines have already begun to do so.³

As interstate pipelines begin to adapt their business practices and information systems to reflect the new regulatory environment of Order No. 637, the time is now for

³ Transcontinental Gas Pipe Line Company is one example.

clear direction regarding the issue of confirmation at production points. The alternative would be the type of commercial disarray the GISB process was designed to avoid.

Respectfully submitted,

NATURAL GAS SUPPLY ASSOCIATION

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By:

Patricia W. Jagtiani
Director of Regulatory Affairs
Natural Gas Supply Association

DATED: March 29, 2001

CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2000), I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 29th day of March 2001.

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