TRANSCANADA - ALBERTA SYSTEM
Tolls, Tariff & Procedures Committee

RESOLUTION

Business Process Change
IT-R Service Allowable Allocation Methodology

Resolution T2000-01(g)

The Tolls, Tariff & Procedures Committee ("TTP") agrees to implement a Business Process Change ("BPC") affecting the allocation of available capacity to Interruptible Receipt Service ("IT-R") contract holders when the requests for IT-R service exceed the Alberta System facilities capability. The new process will replace the current date priority methodology.

Key features of the new methodology are:

1. A Customer IT-R allowable quantity shall be calculated based on a pro rata apportionment of the Customer's recently reported 'finalized allocations' at the subject receipt point relative to all Customers' 'finalized allocations'. The 'finalized allocations' will include the total allocated quantities attributable to Firm Transportation Receipt, Non Renewable Firm Transportation Receipt, Load Retention Services, Point to Point Services, and IT-R Services. The allowable calculation will exclude prior period adjustments and storage volumes.

2. IT-R allowables may be pooled in a manner consistent with FT-R contract quantities during a multiple receipt point restriction.

3. Enables available capacity to be fully scheduled each cycle.

Additional detailed information on the new process is attached.

The new process is targeted for implementation in mid 2003, conditional on TransCanada having the required Information Systems available.

Background

In early 2001, TransCanada raised an issue with the TTP to review the IT-R allocation process. A review of the 'sign date' priority methodology high-lighted several concerns, primarily the inability to effectively schedule IT-R capacity involving multiple receipt points. Since June 2001, the BPC task force has examined and discussed a number of options to replace the existing process.

The task force agreed that the best option should strive to achieve the following objectives:
1. maximization of Alberta System throughput;
2. simplified administration;
3. the process be able to leverage a nomination ranking feature;
4. enable new players, production, and/or marketing arrangements;
5. adopt clear concise business rules to enable TransCanada's automation of the capacity allocation process;
6. able to implement at reasonable cost; and
7. alignment with current commercial arrangements.

The BPC task force was unable to reach a clear consensus on any option. The main obstacle to reaching a consensus was addressing the fourth objective identified above. However, a narrow majority of the BPC task force supported the option presented in this Resolution as the best overall option.

It is recognized by the TTP that this IT-R allocation process is a substantive change. Although the TTP has discussed the process extensively, the TTP recognizes that issues may arise upon implementation that were unforeseen. The TTP and TransCanada recognize that, upon implementation, a prompt review and remedy of the recently implemented process may be required.

Next Steps

TransCanada will proceed with the Information Systems development. As Information Systems work is completed and the process nears implementation, the TTP will be provided the required Tariff changes for approval to accommodate the process change. It is expected that the process change will be implemented in mid 2003.

IT-R Priority Process Overview

Tolls, Tariff & Procedures Committee
Resolution T2000-01(g)

TransCanada

In business to deliver ™

IT-R Background

Current IT-R service priority methodology is based on the date the original application for IT-R service (by Receipt Pt) was received by TransCanada
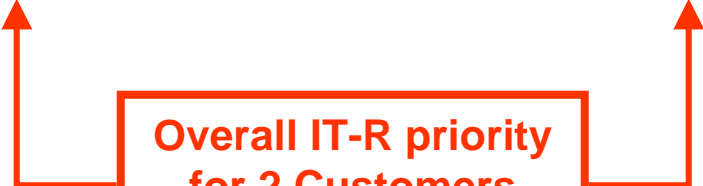
Current process to determine IT-R entitlement for outages with multiple receipt points typically results in an "all or none" IT-R availability

- Complex process
- Manually intensive

Example of
Current IT-R Service Priority

TransCanada
In business to deliver ™

		Customer 1 Priority Date		Customer 2 Priority Date
Receipt Point				
1	3	1991-10-05	2	1990-10-07
2	1	1987-12-10	6	1998-12-12
3	5	1995-01-15	8	2000-01-17
4	7	1999-04-20	4	1994-04-22

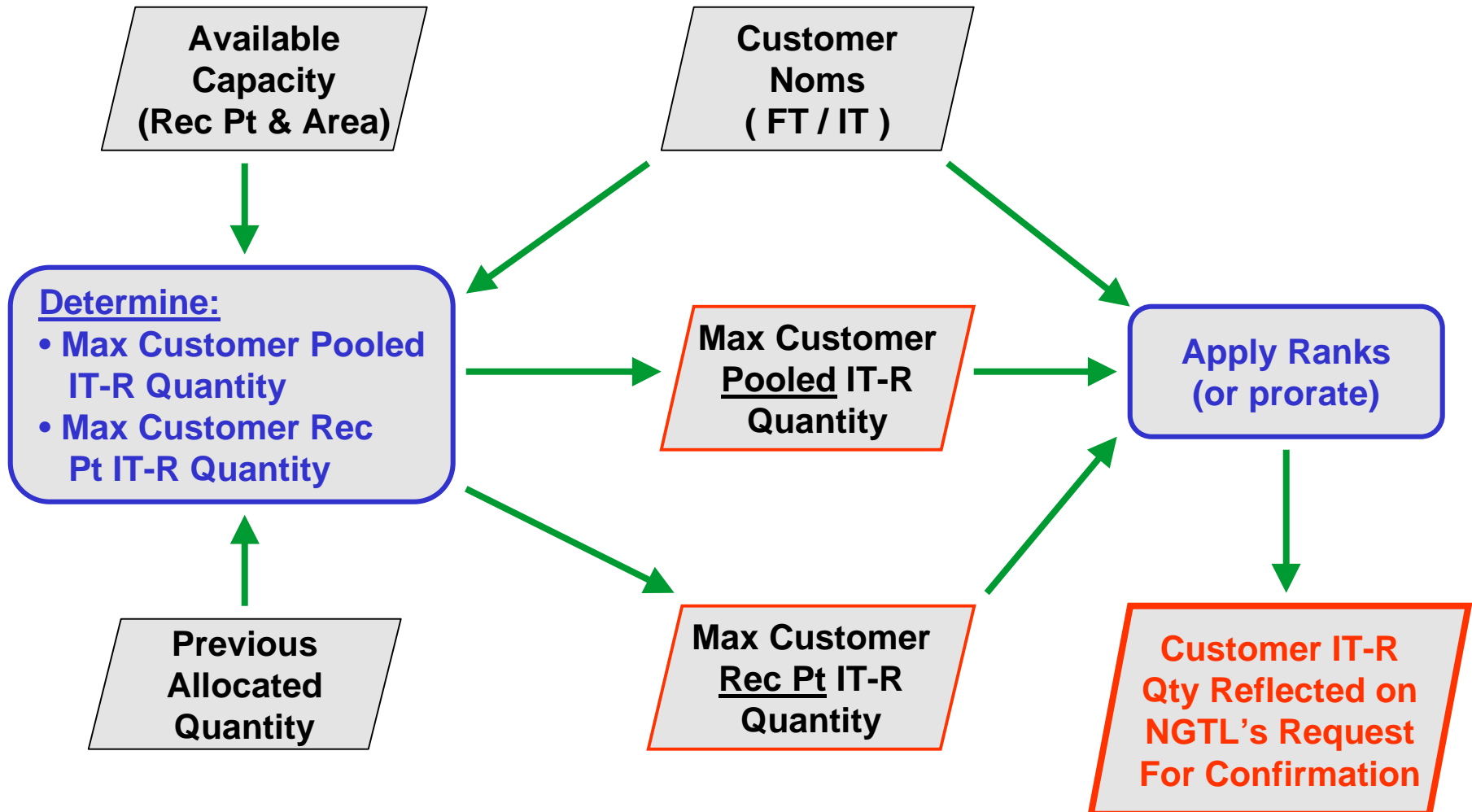**Overall IT-R priority for 2 Customers across 4 Rec Pts**

Performance Measures
For Evaluating Options

- Enable available capacity to be fully scheduled each cycle
- Align with current commercial arrangements
- Simple
- Accommodates ranking option
- Enable new players, production, and/or marketing arrangements
- Enable TC to automate capacity allocation process
- Implement at reasonable cost

Note: Implementation requires Dovetail (target ~mid-2003)
& specifications required soon

Previous Allocated Quantity - Process Model

```
┌─────────────────┐          ┌─────────────────┐
│  Available      │          │  Customer       │
│  Capacity       │          │  Noms           │
│ (Rec Pt & Area) │          │  ( FT / IT )    │
└────────┬────────┘          └────────┬────────┘
         │                            │
         ▼                            ▼
```

Available Capacity (Rec Pt & Area)

Customer Noms (FT / IT)

Determine:
- **Max Customer Pooled IT-R Quantity**
- **Max Customer Rec Pt IT-R Quantity**

Max Customer Pooled IT-R Quantity

Apply Ranks (or prorate)

Previous Allocated Quantity

Max Customer Rec Pt IT-R Quantity

Customer IT-R Qty Reflected on NGTL's Request For Confirmation

Key Features -
Previous Allocated Qty Model

IT-R capacity is prioritized based on each Customer's previous monthly allocated quantities for FT-R, FT-RN, LRS, FT-P & IT-R services at each receipt point

- updated monthly with gas balance
- excludes prior period adjustments & IT-S

FT-R & IT-R pooling concepts similar

- Maximizes throughput
- Lower administration costs
- Simpler procedures
- IT-R "allowable" not transferable to another location or to another Customer

Key Features (cont'd)

Maximizes flow

- Enables services to be scheduled up to available capacity each cycle
  - Accommodates partial IT-R restrictions in an area
  - Pooling of IT-R with ranking option
- Reflects more recent commercial arrangements
- Enables automation of capacity allocation process
- Un-nominated services available to others

Improves capability for secondary market for IT-R

Key Features (cont'd)

Does not address some current issues
- IT-R not equally available to all Customers
- Does not <u>directly</u> accommodate new players, production and/or marketing arrangements

In a multi-month restriction, previous allocated quantities in subsequent month(s) may change

Removes a barrier to providing blanket contract for IT service

Comparison

	Status Quo	Proposal
Priority basis	**Date**	**Previous allocated qty**
Enables pooling with ranking option	**No**	**Yes**
Equal access to new service	**No**	**No**
Directly accommodates new parties, commerical arrangements	**No**	**No**
Maximizes throughput	**No, IT-R typically scheduled either "all or none" for outages with multiple receipt points**	**Yes, enables services to be scheduled up to available capacity**
Blanket IT Contracts	**No**	**Removes a barrier**

Next Steps

When resolution approved

- Revise Tariff language & file with EUB (2nd Quarter 2003)

- Implementation with Dovetail (target ~mid-2003)