

FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION PROPOSES NEW RULES TO FACILITATE PRICE TRANSPARENCY IN NATURAL GAS MARKETS

The Federal Energy Regulatory Commission today proposed new rules to facilitate price transparency in markets for the sale and transportation of physical natural gas in interstate commerce.

Commission Chairman Joseph T. Kelliher observed: "Today, the Commission takes an important step to exercise for the first time our new legal authority to require greater transparency in natural gas markets. Our proposal would significantly increase the transparency of wholesale natural gas markets, protect the integrity of wholesale gas markets, and improve our ability to assess market forces and detect market manipulation.

Today's notice of proposed rulemaking proposes (a) a daily requirement for intrastate pipelines to post the capacities and volumes of natural gas flowing through their major receipt and delivery points and mainline segments, and (b) an annual requirement for certain buyers and sellers of natural gas to report the numbers and volumes of relevant transactions for the previous calendar year.

The daily posting requirement for intrastate pipelines would provide the Commission and the public a better understanding of daily supply and demand conditions that directly affect U.S. wholesale natural gas markets.

The annual reporting requirement for certain buyers and sellers of physical natural gas would allow the Commission and the public to estimate the size of the physical market for natural gas in the U.S., to assess the importance of index pricing in that market, and to determine the size of the fixed-price trading market, which forms price indices, the Commission said.

The Commission also would require each holder of blanket marketing certificate authority or blanket unbundled sales services certificate authority to notify the Commission as to whether it reports its transactions to publishers of electricity or natural gas price indices and whether such reporting conforms to certain standards. Currently, the Commission requires notification only if blanket certificate holders change their reporting practices. The new notification requirement would make notifications of reporting status more reliable.

The proposed rules would implement broad discretionary authority Congress provided the Commission in the Energy Policy Act of 2005. Section 316 of the Energy Policy Act added section 23 to the Natural Gas Act to allow the Commission “to facilitate price transparency in markets for the sale or transportation of physical natural gas in interstate commerce, having due regard for the public interest, the integrity of those markets, fair competition, and the protection of consumers.”

The Energy Policy Act provided similar discretionary authority to promote price transparency in electricity markets, but the Commission noted in today’s proposal that it chooses not to propose similar rules for electricity at this time, since the issue of transparency in electricity markets is addressed in other proceedings:

- The final rule reforming the Open-Access Transmission Tariff (OATT), Order No. 890, noted the Commission’s authority to promote price transparency and increased the transparency of a transmission provider’s transmission planning, the transparency of a transmission provider’s calculation of Available Transfer Capability, and the transparency of business rules and practices.
- The recently initiated review of the state of competition in wholesale electricity markets has entailed a discussion of price transparency in the context of wholesale power market competition.
- Wholesale power transactions under market-based rates are submitted to the Commission and made publicly available through the Commission’s Electric Quarterly Reports.
- In organized electricity markets, regional transmission organizations and independent system operators provide transparency by publishing the results of auction markets and by posting spot market and day-ahead prices. These organized markets further provide transparency regarding electric system capacity markets and financial transmission rights.

Comments on the proposal, “Transparency Provisions of Section 23 of the Natural Gas Act,” are due 45 days after publication in the *Federal Register*. Reply comments are due 75 days after *Federal Register* publication.

R-07-27

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