Items G-1 and G-2, Transparency Provisions of Section 23 of the Natural Gas Act (Docket No. RM07-10-000) and Pipeline Posting Requirements (RM08-2-000)

“Earlier this month, I was meeting with the American Public Gas Association when one their board members raised the need for transparency in the natural gas markets. He stressed the importance of this issue to the markets and to the industry, but also showed some disappointment that the Commission has not taken any action since the July 24 technical conference.

I will admit that the Commission sometimes moves slowly with regard to major rulemakings, but as a deliberative agency, we must make sure that every comment and every foreseeable outcome is considered before we amend the C.F.R. to include new industry regulations. Now that we’ve taken the time to weigh and consider the comments that were filed in response to April’s NOPR, I am pleased that the Commission is moving forward today.

The Staff presentation provided a nice summary of the Final Rule and the accompanying NOPR, but I would like to emphasize the real-world significance on these new and proposed regulations. The Final Rule, through the use of a new FERC Form, will provide information for the first time (and not obtainable elsewhere) that will make it possible to estimate the annual size of the physical wholesale natural gas market with a reasonable exemption for participants with de minimis transactions. In addition, this information will improve our understanding of index pricing, which in turn should allow market participants to evaluate their confidence in the formation of index prices. And I have the confidence that today’s regulations will facilitate much improved transparency in markets for the wholesale sale of physical natural gas.

Ultimately, any burden associated with the preparation of once-a-year form is going to be outweighed by the benefits to the market; and I will look forward to reviewing the data for calendar year 2008 when it’s filed in mid-2009.

With respect to the Daily Posting NOPR, some industry watchers may be surprised to discover that our April NOPR is giving rise to a new NOPR in a new docket. However, the initial NOPR admittedly lacked detail in some areas and we’re issuing this second NOPR to further refine our proposal and to address some of the jurisdictional arguments that have arisen with regard to the collection of information from “major non-interstate” pipelines. The good news procedurally is that all comments that were filed in response to the April NOPR will be incorporated into this new NOPR.

As I stated in April, we need to get a better sense of the magnitude of transactions that occur in our nation’s natural gas markets. This Daily Posting requirement will do just that by requiring the appropriate pipelines to post daily capacity and actual flow information on their individual websites.

Ultimately, the transparency of this information will allow the Commission and other market observes to: (1) identify and remedy potentially manipulate activity more actively by tracking price movements; (2) provide a more complete picture of the markets’ supply and demand fundamentals; and (3) provide information regarding the effects on infrastructure
during periods when the delivery system is disturbed.

Obviously, I’m mindful that any new rule that is promulgated by this agency brings burdens on reporting entities, especially when we’re proposing a daily reporting requirement, but I believe that we really do need this information. I will look forward to the comments that are filed in the coming months.”