

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Enhanced Reporting of Natural Gas  
Storage Inventory Information

Docket No. AD04-10-000

NOTICE OF TECHNICAL CONFERENCE AND REQUEST FOR WRITTEN  
COMMENTS ON ENHANCED REPORTING OF NATURAL GAS STORAGE  
INVENTORY INFORMATION

(August 2, 2004)

The Federal Energy Regulatory Commission (Commission) will hold a technical conference to explore whether the Commission should institute a generic rulemaking to consider whether the Commission should require interstate natural gas pipeline companies and other owners and operators of natural gas storage facilities to electronically post each day actual natural gas storage inventory levels on their systems for the preceding day. Specifically, the technical conference will explore the feasibility, usefulness and appropriateness of requiring posting on a standardized basis for the previous gas day (1) net aggregate actual injection or withdrawal data; (2) actual total available working gas; and (3) actual total storage inventory volume. The conference will take place on September 28, 2004 at 9:30 a.m. (EST) in the Commission Meeting Room at the Commission's headquarters, 888 First Street, N.E., Washington, D.C. The Commission's staff will conduct the conference and members of the Commission may attend it. In preparation for the technical conference, the Commission invites all interested parties to submit written comments, addressing the subject and questions discussed below, on or before September 10, 2004.<sup>1</sup>

## **Background**

Every Thursday at 10:30 a.m. (EST), the United States Department of Energy's Energy Information Administration (EIA) releases a report of natural gas storage inventory levels for the United States, including for Eastern, Western and Producing regions. The EIA compiles this report based on information provided to it by a sampling of storage owners and operators, usually on the Monday that precedes the Thursday report. The reporting companies provide weekly net aggregate storage inventory

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<sup>1</sup> The Commission issued an order today, in Docket No. IN04-2-000, approving three Stipulation and Consent Agreements (Agreements). These Agreements state that the two interstate natural gas pipeline companies and one local distribution company that signed the Agreements communicated their respective non-public storage inventory information to customers or industry participants.

information for the week that ended with the gas day that ended on the preceding Friday. The EIA's release of its weekly report is a regularly watched event in the natural gas industry because changes in natural gas storage inventory levels can affect commodity prices, the price of NYMEX natural gas futures contracts, other physical and financial transactions, and a variety of transportation and storage transactions. Increased volatility observed in the trading of NYMEX natural gas futures contracts immediately following the EIA's release of its weekly storage report suggests the importance to many industry participants of information related to natural gas storage inventory levels. In addition, the order the Commission is issuing today approving Stipulation and Consent Agreements (Agreements) in Docket No. IN04-2-000, indicates that some market participants obtained non-public storage inventory information sourced from interstate pipelines, or in one case, a local distribution company (LDC), because of the perceived market value of this information.

The Commission currently requires interstate pipelines that provide service under blanket certificates pursuant to Subparts B and G of Part 284 of the Commission's regulations, to post the availability of all transportation services whenever capacity is scheduled at receipt points, on the mainline, at delivery points and at storage fields. 18 C.F.R. § 284.13(d)(1). This regulation does not address storage activity that is not subject to daily nomination and scheduling, such as no-notice storage and transportation services. Accordingly, pipelines have reported storage activities in different ways.

The interstate pipeline companies that executed the Agreements in Docket No. IN04-2-000 have indicated that they are, or soon will be, posting weekly net aggregate storage inventory information. Other interstate natural gas pipelines post storage inventory information on a daily basis, but may post injections and withdrawals attributable to no-notice contractual service on a weekly basis. Alternatively, storage activities attributable to no-notice contractual service may be partially posted, depending on whether customers make nominations at the pipeline's storage points for this service.

Inconsistent posting of storage activities and inventories hinders efforts to compare and make sense of this information, leading to less efficient market outcomes. Current posting practices impair the value of this information as a useful tool to understand and anticipate demand and other relevant industry trends. For example, traders who seek to determine optimal hedging strategies during peak periods or pipeline customers who seek to anticipate whether nominations to secondary points will likely be honored would benefit from more consistent and timely storage inventory information.

In addition, although section 284.13(d)(1) mandates reporting of scheduled volumes, actual volumes can be a superior indicator of inventory activity. Actual volumes can deviate significantly from scheduled volumes, particularly during periods of high demand.

Electronic metering permits natural gas pipeline companies to rapidly post net aggregate storage information on a daily basis. Actual, daily posting of day-before injection or withdrawal activity would speed communication of storage data to the public and provide nearer-in-time information than is provided in the EIA's weekly report. Increased transparency promotes efficiency and could deter abuses associated with non-public storage inventory information.

LDCs and intrastate pipelines that provide service pursuant to subpart C of Part 284 of the Commission's regulations often own and operate substantial storage capacity. Many of these entities do not post storage inventory information. Posting such information would contribute to the goals of market transparency and abuse deterrence. However, posting of uniform storage inventory information could affect the often differing obligations and business purposes of these entities relative to interstate pipeline companies. Further, the Commission's jurisdiction over these entities is more limited than it is over interstate pipeline companies. The technical conference will seek to explore the feasibility and usefulness of requiring LDCs and intrastate pipelines that provide service pursuant to subpart C of Part 284 of the Commission's regulations to post storage inventory information.

### **Questions for Comment**

The Commission seeks comments on the following questions:

- I. Questions for Interstate Natural Gas Pipeline Companies, Their Customers and Other Industry Participants:**
  - A. How would standardized, daily posting of actual storage injection or withdrawal activity contribute to market transparency? What are the specific efficiencies that would result from such posting?
  - B. What costs and inefficiencies does the industry (or any parts of it) experience because of the current inconsistency of storage inventory reporting?
  - C. Are participants in physical and financial commodity markets concerned with price volatility following the release of the EIA's weekly storage report? Would improved posting of storage information be likely to reduce price volatility?
  - D. How important is posted storage inventory information to buying and selling gas and executing financial transactions?
  - E. How do pipeline customers use posted storage information to make

decisions regarding nominations, the purchase of storage capacity, the purchase of gas, and other commodity and operational decisions?

- F. How important is the timeliness of posting storage inventory information? Specifically, to what extent would daily reporting benefit the industry relative to the current daily and weekly posting of storage-related information by pipelines and the EIA?
- G. In what ways and to what extent would posting of actual injection or withdrawal volumes be superior to posting scheduled injection or withdrawal volumes?
- H. Could posting be fully consistent with the data that reporting pipelines provide the EIA on a weekly basis? What could be the cause for any differences and how significant would they be?
- I. What costs would pipelines expect to incur to post standardized, daily actual injection or withdrawal volumes on a day-after basis? What concerns, if any, do pipelines have regarding the feasibility from a technical perspective of accurate storage inventory posting?
- J. How should pipeline companies address the posting of inaccurate information and information that needs to be subsequently adjusted?

**II. Questions for Intrastate Pipeline Companies and LDCs That Provide Service Pursuant to Subpart C of Part 284 of the Commission's Regulations, Their Customers and Other Industry Participants:**

- A. To what extent do such intrastate pipeline companies and LDCs post storage inventory information? What storage information do they post?
- B. What concerns would such intrastate pipeline companies and LDCs have with respect to posting their daily actual injection or withdrawal activity on a day-after basis?
- C. Does the Commission have the authority under Subpart C of 284 of its regulations, or under other statutory or regulatory authority, to require intrastate pipeline companies or LDCs to post storage inventory information?
- D. What contribution to market transparency and efficiency would posting daily actual injection or withdrawal activity on a day-after basis have for natural gas markets and for customers of such intrastate pipeline companies

and LDCs?

- E. What costs would such intrastate pipeline companies and LDCs expect to incur to post standardized, daily actual injection or withdrawal volumes on a day-after basis? What concerns, if any, do intrastate pipeline companies and LDCs have regarding the feasibility from a technical perspective of such posting?
- F. How should intrastate pipeline companies and LDCs address the posting of inaccurate information and information that needs to be subsequently adjusted?

### **Public Comment Information**

As noted above, in preparation for the technical conference, the Commission invites interested persons to submit written comments on the matters raised in this notice, including any related matters or alternative proposals that commenters may wish to discuss. All written comments should be submitted on or before September 10, 2004. We are hereby establishing a proceeding, Docket No. AD04-10-000, to provide an opportunity for all interested persons to submit comments, and all future actions with respect to the technical conference will also be taken under this docket number.

All comments should include an executive summary that does not exceed two pages. Comments should not exceed 15 pages. In addition, if answering a specific question, please identify the question. To conserve time and avoid unnecessary expense, persons with common interests or views are encouraged to submit joint comments. Comments related to this proceeding may be filed in paper format or electronically. However, the Commission strongly encourages electronic filings. Those filing electronically do not need to make a paper filing.

Documents filed electronically via the Internet can be prepared in a variety of formats, including MS Word, Portable Document Format, Real Text Format, or ASCII format, as listed on the Commission's at <http://www.ferc.gov>, under the e-Filing link. The e-Filing link provides instructions for how to Login and complete an electronic filing. First time users will have to establish a user name and password. The Commission will send an automatic acknowledgement to the sender's e-mail address upon receipt of comments.

For paper filings, the original and 14 copies of such comments should be submitted to the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

All comments will be placed in the Commission's public files and will be

available for inspection in the Commission's Public Reference Room at 888 First Street, N.E., Washington, D.C. 20426, during regular business hours. In addition, all comments may be viewed, printed, or downloaded remotely via the Internet through FERC's Homepage using the eLibrary link.

### **Conference Information**

As noted above, upon evaluation of the comments requested herein, the Commission will hold a technical conference open to all interested persons. The technical conference will be held on September 28, 2004 at 9:30 a.m. (EST) in the Commission Meeting Room at the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C.

There is no charge to attend the conference and no requirement to register in advance for the conference. The conference will be transcribed. Those interested in acquiring the transcript should contact Ace Reporters at (202) 347-3700 or (800) 336-6646. Transcripts will be placed in the public record ten days after the Commission receives them.

Capitol Connection offers the opportunity for remote listening and viewing of the conference. It is available for a fee, live over the Internet, by phone or via satellite. Persons interested in receiving the broadcast or who need information on making arrangements should contact David Reininger or Julia Morelli at Capitol Connection at (703) 993-3100 as soon as possible or visit the Capitol Connection website at <http://www.capitolconnection.org> and click on "FERC."

Interested parties are urged to watch for further notices providing more information on the conference. You may register online at <http://www.ferc.gov/docs-filing/esubscriptions.asp> to be notified via email of new issuances and filings related to this docket. For additional information please contact John Kroeger at (202) 502-8177 or by email at [john.kroeger@ferc.gov](mailto:john.kroeger@ferc.gov), or Thomas Pinkston at (202) 502- 6335 or by e-mail at [thomas.pinkston@ferc.gov](mailto:thomas.pinkston@ferc.gov).

By direction of the Commission.

Linda Mitry,  
Acting Secretary.