
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION REINSTATES POLICY ON DISCOUNTING FOR CERTAIN INTERSTATE NATURAL GAS SHIPPERS

The Federal Energy Regulatory Commission today reinstated a policy of permitting interstate natural gas pipeline companies to limit the selective discounts they offer to shippers to the primary receipt and delivery points contained in their contracts.

The Commission's decision responds to a remand by the U. S. Court of Appeals for the D.C. Circuit in a case brought by Williston Basin Interstate Pipeline challenging the Commission's orders. The Commission required Williston Basin to modify its tariffs to permit a shipper with a discounted rate to retain its discount when using secondary points or segmenting its capacity, if a similarly situated shipper is receiving a discount at those points.

Among other things, the Court was concerned that the Commission's orders would undermine the pipelines' ability to use selective discounts to maximize revenue from customers with competitive alternatives by making it easier for a shipper to transfer discounts to other points.

The Commission's CIG/Granite State policy was intended to balance the benefits of selective discounting with the benefits of robust secondary market for capacity through flexible receipt and deliver points and segmentation.

However, pipelines and other shippers responding to the Commission's orders said the requirement created a disincentive for pipelines to increase the sale of firm capacity through selective discounting and that the decision created uncertainty, particularly for reticulated pipelines where discounts are given to attract flow to specific areas to maximize capacity and promote efficient operations.

The Commission concluded today that it cannot justify, as required under Section 5 of the Natural Gas Act, that the intended benefits of increased competition through secondary receipt and delivery points and segmentation would outweigh the costs to captive customers of reduced revenue from selective discounting.

The Commission will allow Williston to remove its tariff provision that permits shippers to retain discounts at secondary receipt and delivery points and segmentation points. In addition, the Commission will allow other pipelines to make tariff filings to remove similar tariff provisions.

The Commission is reviewing its discount policy in a Notice of Inquiry proceeding in Docket No. RM05-2-000.