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Energy Information Administration
EI-44, Forrestal Building
U.S. Department of Energy
Washington, D.C. 20585

**COMMENTS OF THE NATURAL GAS SUPPLY ASSOCIATION ON REVISION
POLICY FOR THE WEEKLY NATURAL GAS STORAGE REPORT**

Pursuant to the Federal Register notice of the Energy Information Administration (EIA) issued on January 7, 2005 [FR Doc. 05-333] soliciting industry comments on the EIA's revision policy for the Weekly Natural Gas Storage Report (WNGSR), the Natural Gas Supply Association (NGSA) is pleased for the opportunity to provide the following comments.

NGSA represents major integrated and large independent companies that produce and market natural gas in the United States. Established in 1965, NGSA encourages the expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets.

The NGSA appreciates the EIA's efforts and responsibility in providing the public the regularly scheduled, timely, WNGSRs and supports EIA's current endeavor to foster public confidence by improving its existing policy on revisions to the WNGSR data. The NGSA believes that EIA's current weekly reporting system on underground storage volume summary estimates has worked reasonably well since its inception in mid-2002 but would offer the following improvements to the WNGSR and revision policy to enhance market confidence in the data.

NGSA believes the EIA's primary focus should be ensuring the certainty and accuracy of the data that it collects through various checks and balances. EIA should scrutinize and improve storage data accuracy through:

- a) Internal checks and balances using automatic subroutines that checks for likely errors that have to be manually overridden;
- b) Review published market analysts storage data projections for comparison prior to the weekly storage data release and double check the numbers if significantly outside of market consensus;
- c) Require storage facility management to sign-off on data submissions;
- d) Require companies providing storage data to implement similar checks and balances as those prescribed by Federal Energy Regulatory Commission (FERC) with regard to price reported data.

These steps are essential for the EIA to maintain the highest degree of credibility, timeliness, and accuracy of the data used in the WNGSR.

Second, EIA's proposed revision threshold for an outside of the regular schedule announcement provided in the two alternatives discussed in the *Federal Register Notice* of at least a 15 Bcf change at either the regional or national level is too high. We believe a threshold of 10 Bcf from the original number would be a more appropriate level to trigger an unscheduled revision to the WNGSR. Based on the historical storage volume data from 1994 through 2005 available on the EIA website, the 10 Bcf threshold represents approximately 1.5% of the total lowest inventory point of 642 Bcf and approximately 3.5% to 8.8% of the lowest inventory points regionally. Revisions that fall

below the threshold criteria should be included in the scheduled release the following week.

Third, the NGSA strongly supports a pre-notification announcement of an upcoming release of an unscheduled revision to provide all market participants a greater opportunity to be informed of the change to the weekly storage volumes. A pre-notification notice would alert market participants to the upcoming distribution of information and ensure awareness among a greater number of participants to the revised storage volumes at the same time. A two-hour pre-notification period before an unscheduled release appears to be the appropriate amount of time to NGSA; however, this time period may need to be reviewed after experience is gained.

Fourth, the NGSA believes in the importance of announcing revised WNGSRs during periods when the greatest number of participants have access to the market and would be able to respond to the revisions. Ensuring that as many market participants receive this useful information on the natural gas market as close to the same time would minimize market volatility. Therefore, NGSA *recommends* when storage data corrections to the WNGSR are equal to or greater than 10 Bcf for the EIA to provide a pre-notification of a revision at 10:30 a.m. Eastern Time (ET) with publication of the revised volumes at 12:30 p.m. ET, on the first full trading day after discovery of the change. This approach would provide market participants equal access during NYMEX hours, provide timely feedback (versus the Fixed Revision Timing approach of only on Mondays or Tuesdays), and avoid short trading days. We emphasize the importance of a revision policy that provides timely data to the market and urge the EIA not to limit data

revisions to a specific day of the week. The notification approach should include both an email and posting on the EIA website.

Fifth, storage data estimate release dates that fall on the futures contract expiration date should be delayed by one trading day. The NGSA recommends that storage data reports, *both* the regularly scheduled WNGSR and WNGSR revision releases that fall on NYMEX monthly settlement dates, be delayed by one trading day to minimize the unintended consequences of volatility caused by the announcements. As a case in point, the November 24, 2004 EIA storage withdrawal announcement created additional volatility in the natural gas futures market as the storage announcement coincided with the December futures contract expiration date. If the announcement had been delayed by one trading day as proposed by the NGSA, the WNGSR would have been published on Monday, November 29, the first full NYMEX trading day after the Thanksgiving holiday. Delaying the releases by a trading day after the contract expiration date would minimize the market impact caused by an erroneous storage figure.

Similarly, storage data announcements that fall on a day prior to a Federal Government holiday should also be delayed until the next full trading day. As noted in the Federal Register notice, the two largest revisions since the EIA began the issuance of the WNGSRs occurred prior to a Federal holiday. These were the storage reports one day prior to a July 4th holiday and most recently a day prior to the Thanksgiving holiday. It is likely that during those periods experienced regular employees may be on holiday leave leaving the less experienced employees to supervise or handle the storage data reporting. The NGSA recommends that the EIA avoid storage survey announcements the day prior to a holiday to minimize the potential for future errors.

Lastly, the NGSA would strongly encourage the EIA to work with and use the FERC as its investigative arm for data revisions submitted by storage reporters. The NGSA appreciates that the EIA has no investigatory powers to monitor for potential market manipulation. The FERC, on the other hand, has market investigative authority and expertise. By using the FERC as its investigative arm, the EIA would be sending a strong message to individual companies that data revisions will be investigated, that revisions made for the purpose of manipulation by individual companies will not be tolerated and would be sanctioned. This would ensure that companies provide the most accurate weekly storage data to the EIA as possible. The EIA could incorporate provisions that acknowledge that some minor inadvertent errors in reporting would not be construed as inaccurate reporting.

In summary, the NGSA appreciates the EIA's effort to improve the timeliness of the dissemination of future storage data revisions. We are also encouraged that the EIA is taking a number of steps within its organization to assure the quality of the weekly natural gas storage data since the November 2004 announcement. The NGSA urges the EIA to continue to improve its data certainty and accuracy through the various checks and balances indicated above and implement a revision policy with the improvements suggested herein.

Respectfully submitted,

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