



## NEWS

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### **FERC Survey Finds Significant Market Confidence in Published Indices, NGSA Says**

(Washington)... The Federal Energy Regulatory Commission's (FERC) own recent price-reporting survey demonstrates there is significant and growing market confidence in the ongoing progress of published indices, the Natural Gas Supply Association (NGSA) told the commission in comments filed today.

"The most compelling evidence from the commission's price reporting survey is that more than 90 percent of the respondents – including all of the responding producers and industrial customers – use the indices in physical transactions. In terms of confidence, more than 90 percent of the respondents believe the glass is more than half full in terms of their confidence in the indices – with more than two-thirds of the respondents characterizing their confidence level at '7' or higher on a scale of 1-10," according to the association's filing.

Last month, FERC staff itself concluded that the amount of transaction data reported to natural gas price index developers "has been improving compared with late 2002." In addition, "the quality of reporting to price index developers has improved significantly over the past year."

According to that report, "index developers have taken significant steps to conform the standards of the policy statement." Finally, as a further indication of market confidence beyond the individual respondent rankings, "survey respondents cite a high level of dependence on natural gas indices as price references in contracts."

Voluntary price reporting for natural gas transactions has clearly enhanced market transparency and confidence, and will continue to do so as further upgrades evolve and work their way into the process for wholesale natural gas transactions, encouraging some enhancements to improve overall transparency,

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NGSA said.

The association continued to urge FERC to evaluate progress based on more volume-weighted analyses, with somewhat less significance placed on capturing increasing numbers of individual transactions. According to the FERC staff report and the index publishers themselves, almost all of the top natural gas suppliers are reporting their day-ahead and monthly bid-week transactions, with data on their volumes sold available to the public as a quarterly benchmark, which allows market participants, as well as the commission, to more properly estimate the value of the indices as a reflection of the ever-changing dynamics of market-based pricing.

In addition, NGSA's filing said price reporting tends to be a function of company size, which is likely to be an ongoing challenge under even the best of circumstances. Based on the survey responses, the average size of those reporting all appropriate transactions is greater than the average size of those not reporting. To enhance overall market transparency, NGSA urged the commission to continue to encourage utilities and other small users to begin reporting, or expand their existing reporting, to the publishers.

"Based on the public record established since the issuance of FERC's policy statement on price reporting in wholesale natural gas markets, NGSA believes there is sufficient evidence to support a commission policy of continuing to focus attention on the price reporting and transparency needs of the natural gas marketplace. On its own, the staff report contains sufficient justification for this option."

*NGSA represents integrated and independent companies that produce and market natural gas in the United States. NGSA is actively involved in pursuing regulatory and legislative issues that affect the association's members. Established in 1965, NGSA encourages expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets.*

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**(Editors Note: A copy of NGSA's complete filing will soon be available on the NGSA Web site at [www.ngsa.org](http://www.ngsa.org).)**