



NEWS

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Contact: Mark Stultz; mstultz@ngsa.org

Phone: (202) 326-9316

www.NGSA.org and www.NaturalGas.org

NGSA: New Two-Year Experiment Needed In Natural Gas Capacity-Release Market

(Washington, DC)... Before federal regulators wade into a proven market allowing natural gas shippers to sell excess pipeline capacity to others, the first step should be to retest the waters with another two-year experiment in removing the existing rate cap, the Natural Gas Supply Association (NGSA) urged today.

"This interim step must be taken before the commission makes a final determination of whether the cap should be lifted on a more permanent basis, an action NGSA does not support at this time," the association said in a filing with the Federal Energy Regulatory Commission (FERC).

Results from FERC's initial 1999 experiment in lifting certain price caps in the so-called secondary market were never acted upon, so NGSA recommends a needed refresher in terms of reliable data.

"Subject to the continued availability of pipeline capacity at cost-based rates as a recourse, and continued commission vigilance in ensuring compliance with its market rules, NGSA sees merit in initiating a second experimental program lifting the price cap on capacity-release transactions," according to the NGSA comments.

In its filing, however, NGSA did ask FERC to provide policy clarifications to make it easier for capacity-release shippers to rely on basis-differential pricing, and to maintain bidding requirements for long-term prearranged releases that are below the maximum rate.

The association also urged the commission to take prompt action to provide

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additional regulatory certainty with regard to certain portfolio-management transactions, an additional clarification previously requested by a number of shippers, “ensuring that all participants are operating under the same rules and interpretations of those rules.”

Finally, NGSa asked regulators to retain the existing “shipper-must-have-title requirement.”

“Unbundling of transportation and the commodity under (FERC) Order 636 has been the trademark success of our industry, and the shipper-must-have-title rule provides the very foundation for that success,” NGSa said. “Without this rule, the capacity-release program would effectively cease to exist, and there would be few, if any, options in the market other than a bundled product. This would lead to a reduction in the commission’s oversight, as well as a giant step back for our industry.”

In a prior order, the commission itself noted that without the rule, there would likely be no capacity-release market because the original shipper would simply be providing a service for other unknown entities, transactions that would not be subject to reporting requirements or allocation rules.

Overall, the association emphasized the need to take a cautious approach to tinkering with an effective system that has been operating successfully to the benefit of the entire marketplace, including natural gas customers.

“Considering the number of secondary market transactions that occur every day, complaints are few and far between, and participants continue to use the commission’s capacity-release program in a transparent and efficient manner.”

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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.

(Editor’s Note: A copy of the association’s complete filing will be available soon at www.ngsa.org, or contact Sandy Crockett at scrockett@ngsa.org, (202) 326-9300).