



November 1, 2006

R. Skip Horvath
President & CEO

Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Transparency Provisions of the Energy Policy Act - Docket No. AD06-11-000

Dear Secretary Salas:

Following up on the Federal Energy Regulatory Commission's October 13, 2006, market transparency Technical Conference, the Natural Gas Supply Association ("NGSA") offers the following additional comments for the Commission's consideration.*

First, consistent with most of the views expressed by participants at the Technical Conference, NGSA believes that because there is already a tremendous level of natural gas pricing information available, any price reporting mandate would create additional and unnecessary market risk. The majority of NGSA's members report prices. NGSA generally opposes a price reporting mandate not because of overhead cost but because of the potential impact it could have on liquidity. The cost of mandated reporting is likely to decrease the number of reportable transactions because companies engaging in relatively few fixed-price deals, or that feel these costs are too great, can simply move to the index or structure comparably priced transactions that are non-reportable. Examples of such costs are competitive or commercial risk, perceived increased regulatory liability, and back office staffing. Simply "let's mandate and see what happens," as one panelist noted, suggests a market experiment with huge downside potential.

Already among the most transparent of all U.S. commodity markets, natural gas prices for large volumes are available to the marketplace through a variety of sources including:

- Real-time and delayed price feeds for the NYMEX open outcry auction market, and data feeds for the electronic physical and financially settled contracts on CME Globex, including equivalents of the open-outcry contract and a large array of basis and Index contracts.
- The Intercontinental Exchange ("ICE") which provides multiple physical and financial natural gas products at multiple locations.

*On October 13, 2006, NGSA filed a paper regarding natural gas supply and demand market fundamentals and evaluating transparency and a white paper entitled Natural Gas Price Transparency and Liquidity by Pete Locke, Professor of Finance, George Washington University and Texas Christian University.

- Voice Brokers, such as Amerex, GFI, Tullet-Prebon, and ICAP, which facilitate transactions in physical and financial natural gas, and make data available about markets at a multitude of delivery points.
- Publications, such as Platts, Bloomberg, NGI and SNL, that provide index pricing information by delivery point.

Second, NGSa opposes a quarterly after-the-fact transactional report because such transaction-level data, including specific counterparties, is competitively sensitive information. Any mandatory release or dissemination of this data could directly harm market participants, inhibit market creativity and innovation, and distort the market. NGSa does not believe that a quarterly after-the-fact report would add any material value commensurate with its risk and cost because of the high degree of market transparency that already exists for natural gas in contrast to electricity.

NGSA is not suggesting to the natural gas market that FERC and other federal regulators can or should be less vigilant for signs of abuse. We do, however, feel that sufficient information is now readily available to them and to all market participants. FERC's issuance of the July 2003 Policy Statement provided helpful guidance for the index developers, reporting parties, and the entire industry. The Commission's prior efforts have already significantly increased current reporting, and the market will continue to mature and develop in ways that enhance market transparency and liquidity.

Finally, NGSa remains supportive of any voluntary and constructive steps to enhance market transparency. Instead of a reporting mandate, state regulators can initiate policies which encourage all segments of the industry to freely report prices under the Policy Guidelines, to participate in financial markets, and to foster an environment that does not discourage fixed price transactions or increase the burden of price reporting. Without policies specifically encouraging free participation in all aspects of the natural gas market and the use of fixed price transactions, state regulatory commissions risk distorting the marketplace and harming market efficiency.

NGSA looks forward to participating in the continued industry dialogue on this issue. Thank you for your consideration.

Sincerely,



R. Skip Horvath