

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Transparency Provisions of Section 23)	
Of the Natural Gas Act;)	Docket Nos. RM07-10-000
Transparency Provisions of the)	and AD06-11-000
Energy Policy Act)	

**REPLY AND SUPPLEMENTAL COMMENTS OF THE
NATURAL GAS SUPPLY ASSOCIATION**

Pursuant to the Notice of Proposed Rulemaking issued in the above-captioned dockets on April 19, 2007 ("NOPR"), the Natural Gas Supply Association ("NGSA") respectfully submits the following reply comments to support the concern raised by Constellation Energy Commodities Group ("CCG"), Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas"), Statoil Natural Gas LLC ("Statoil"), and Pacific Gas and Electric Company ("PG&E") regarding the importance of maintaining respondent confidentiality in the Annual Transaction Report ("Report"). In addition, NGSA would like to reiterate the importance of FERC clarifying that intra-company transactions are excluded from the information submitted in the Report and that flow data for gathering systems are excluded from the pipeline flow posting requirement.

1) **REPLY COMMENTS**: NGSAs shares concerns regarding potential harm to competitive market if Annual Transaction Report respondent name is made public.

As noted in NGSAs initial comments,¹ NGSAs continues to support constructive, market-driven steps to enhance market transparency and integrity without harming underlying competition and natural gas market efficiency. To this point, CCG, Nicor Gas, Statoil and PG&E raise an important concern with respect to maintaining the confidentiality of potentially sensitive competitive information.

While the Commission does not propose to collect and disclose detailed natural gas contract or transaction specific data as part of the Report, the annual aggregated transactional information could cause competitive harm to the market by potentially revealing corporate proprietary trading strategies of a company particularly for companies with geographically concentrated trading or supply portfolios. For example, the Report would reveal the percentage of a company's portfolio that is index-based or fixed-price-based and the percentage of natural gas sold in the monthly and daily markets, potentially harming the company's competitive position in future transactions by revealing the company's procurement strategy and risk profile.

There are two ways this risk can be avoided: 1) by not publicly disclosing the individual company annual transaction report filings or 2) by redacting the identity of the market participant making the filing. By adopting either of these options, the Commission's objectives of estimating 1) the size of the physical domestic natural gas

¹ NGSAs Initial Comments, Docket Nos. RM07-10 and AD06-11, filed July 11, 2007.

market, 2) the use of index pricing in the physical market, 3) the size of the fixed-price trading market and 4) the relative size of the major traders can be accomplished without risking disclosure of proprietary information.

In support of maintaining Annual Transaction Report respondent confidentiality, the Energy Policy Act (“EPAAct”) Sec. 23 (a) (1) sets the parameters which the Commission must adhere to in establishing the proposed report. Specifically, the Commission’s facilitation of price transparency, must, among other things, “have due regard for.....the integrity ofmarkets,” as well as “fair competition.” This language makes clear that the Commission must consider the competitive effects of deciding whether, and to what extent, individual company transaction reports should be made public. Indeed, given the potential harm noted above, this EPACT provision strongly militates in favor of maintaining the confidentiality of individual company reports or, at minimum, refraining from company attribution if such reports are made public.

In addition to the information disclosed in the Report, a significant amount of information is already available in the public domain to assist the Commission with market transparency. This is based on the recognition by Congress in the EPAAct in their directive to FERC to “rely on (price) publishers and services to the maximum extent possible” (parenthesis supplied) in ensuring transparency.² In light of the significant amount of information already in the public domain, NGSa believes that the

² See Energy Policy Act Sec. 316 (a) (4).

Commission can fulfill its EPCRA obligation to facilitate market transparency without risk to market integrity and fair competition while still maintaining the confidentiality needed by individual companies that operate in a competitive market.

2) SUPPLEMENTAL COMMENTS: NGSAs reiterates importance of excluding affiliate transactions and gathering lines.

a) Annual Transaction Report

NGSA concurs with the conclusions reached at the July 24, 2007 workshop regarding intra-company transactions. As discussed, sales between affiliates would not produce meaningful information. Recognizing this fact, FERC's safe harbor standards prohibit the reporting of sales between affiliates to price index developers. Moreover, requiring data on such transactions to be included in the Reports would significantly add to the time and cost to prepare the annual transaction reports and would increase the likelihood of inadvertent errors. In short, data on natural gas transactions between affiliated entities would not provide useful information on the natural gas market and would unnecessarily add to the reporting burden.

b) Intrastate Pipeline Flow Data

A number of commentators expressed concern regarding the extensive burden on industry if the Commission broadly applies of the intrastate pipeline flow data posting requirement. To address these concerns, NGSAs would like to reiterate that the Commission can accomplish its objective of increasing the amount of information available regarding supply and demand fundamentals by applying the flow data

posting requirement to points downstream of natural gas gathering systems and only to those transmission pipelines that are significant in size with existing electronic telemetering or EFM.

3) CONCLUSION

NGSA respectfully requests that the Commission maintain respondent confidentiality with respect to the Report to avoid harming underlying competition and market efficiency through the potential disclosure of corporate trading strategies. Finally, NGSA expresses its support for excluding data on sales between affiliated entities from the volumes reported to the Commission in the annual transaction report and excluding natural gas gathering systems from the flow data posting requirement.

Respectfully submitted,



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