



## NEWS

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### **NGSA says, “FERC cannot ignore this new market reality,” as it files comments requesting a new definition of a pipeline affiliate.**

Washington, D.C. ... The Natural Gas Supply Association today filed comments with the Federal Energy Regulatory Commission (FERC) requesting that FERC take a more aggressive approach to ensuring a competitive market for transporting natural gas.

Patricia Jagtiani, NGSA’s Director of Regulatory Affairs said, “Pipeline’s claim that the amount of business conducted on affiliated pipelines has not changed in over four years, and therefore does not warrant a change from the Commission. We are saying Commission regulations need to be updated to reflect a very different natural gas industry.

“For example:

- Pipeline marketing affiliates have grown in power and competitive impact since the original rules were put in place. The synergies associated with their pipeline affiliations have, in many cases, been a key driver of growth.
- Marketing activities now rival or exceed revenues from regulated lines of business.
- Convergence mergers have become the order of the day, from the Koch-Entergy merger to the CMS acquisition of Panhandle, Trunkline and Sea Robin, to the Dominion acquisition of CNG.
- Affiliate control of strategic assets, such as storage or critical transportation paths, cannot be ignored when examining affiliate holdings of pipeline capacity.”

NGSA filed its comments (Dialog concerning Natural Gas Transportation Policies Needed to Facilitate Development of Competitive Natural Gas Markets, Docket No. PL00-1-000) following a roundtable discussion held by FERC staff (March 22, 2001) on affiliate transactions, of which NGSA participated. Currently, natural gas pipeline marketing affiliate rules only apply to gas marketing affiliates; all other affiliates, such as a power marketer, electric generator and asset managers, escape these rules.

“At a bare minimum,” Jagtiani continued, “reporting requirements adopted in Order No. 637 (Regulation of Short-Term Natural Gas Transportation Services) must be enhanced so that industry participants can analyze reported data on a timely basis. In a complaint-driven regulatory environment, the industry needs user-friendly tools in order to ensure that competitive advantages do not exist in the market place. Customers cannot do this alone and they need the Commission to supplement this information with an effective market-monitoring program.

“Moreover, the Commission should revisit and expand the scope of the definition of ‘marketing affiliate,’ to cover all entities that hold or manage interstate pipeline capacity and that also have a corporate affiliation with the pipeline.”

“Finally,” Jagtiani said, “with the convergence of pipeline affiliate marketing activities into both natural gas and electric wholesale markets, coupled with the potential exercise of market power by affiliated pipelines, new risks of anti-competitive behavior may present itself. FERC cannot ignore this new market reality.”

*NGSA represents integrated and independent companies that produce and market the majority of the natural gas produced 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.*