



NEWS

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www.NGSA.org and www.NaturalGas.org

Success of Long-awaited FERC Affiliate Rule Hinges on Consistency, Enforcement, Says NGSA

(Washington, DC)... The Federal Energy Regulatory Commission (FERC) is closing out 2003 on a holiday high note -- with a final rule on energy affiliate standards of conduct that is a recipe for success, hinging upon consistency and enforcement after the New Year, according to the Natural Gas Supply Association (NGSA).

"Tight commission adherence to this formula is critical to ensuring accountability and overall market confidence," NGSA chairman-elect Joseph Blount Jr., president, Unocal Midstream and Trade, said in a pre-holiday letter of congratulations to the commission. "Two years in the making, this ruling eliminates many pre-existing loopholes in affiliate rules and recognizes that a vast number of changes that have occurred in the industry since the current standards of conduct were implemented."

Blount said NGSA hopes the commission will stand firm and limit exemptions, either through rehearing or partial waivers, that could, in turn, nullify the effectiveness of the Nov. 25 rule.

He said the association is very supportive of the rule's key provisions, which require higher standards of conduct governing the relationship between regulated transmission providers and their market-based affiliates.

Except for a limited number of narrow exemptions, the affiliate rules now apply to all energy affiliates -- both gas and power -- instead of only their marketing affiliates.

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Second, pipelines and their energy affiliates are no longer permitted to share operating employees or to share “insider information” except in very limited circumstances, such as sharing needed information to maintain the reliability of the system.

Finally, in those instances where employees continue to be shared, they will be held to a higher standard than ever before – with required training on the standards, greater accountability through the signing of affidavits stating they will not act as an information conduit, and the greater likelihood of commission audits.

Inevitably, however, compliance with the rule will be the ultimate measure of success, Blount said. “Proper penalties will be the teeth needed to ensure a level playing field for all market participants. Without sufficient penalties, parties may not have the incentive to comply with these requirements.”

For this reason, NGSA urged the commission to reaffirm that it will use the full scope of remedies when instances of affiliate abuse are unearthed.

“NGSA commends the commission on a job well done and encourages FERC to hold firm on compliance to the ruling. The commission has the power to enforce penalties should the rules be breached, and it is its willingness to use this power that, in turn, will prevent abuse,” he said.

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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Editor’s note: For the full text of the letter, contact Melissa Marion at (202) 326-9300.