NEWS

For Immediate Release: January 25, 2008 **Phone: (202) 326-9300**
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NGSA Asks FERC to Improve Upon Proposed Capacity Release Regulations

(Washington, DC) The Natural Gas Supply Association (NGSA) today encouraged the U.S. Federal Energy Regulatory Commission (FERC) to move forward with its plan to modify its capacity release regulations -- with further refinements -- to maximize the efficient use of the nation's interstate pipeline capacity.

FERC's Notice of Proposed Rule-making (NOPR) would permanently remove the secondary market rate cap on capacity release transactions of one year or less. Additionally, as part of any contractual asset management agreement (AMA), FERC has proposed to exempt the release of capacity from bidding, as well as to allow shippers to release capacity along with upstream assets.

"This is a win-win situation for parties that need help better managing their system requirements, as well as for those parties that want to make more efficient use of existing pipeline capacity," said Patricia Jagtiani, vice president of regulatory affairs for the association.

In a filing submitted to the commission, NGSA expressed support for FERC's proposed exemptions permitting pipeline shippers to create AMAs with those that can better optimize the use of their capacity and gas supply, while still meeting the shipper's needs.

"By showing a willingness to foster market efficiencies and ensure that market participants have the best means available to meet their needs, the commission has shown it is in tune with the needs of today's complex natural gas market. The added flexibility for AMAs proposed by the commission will provide significant efficiencies for market participants, including end-users and ultimately consumers," Jagtiani said.

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In its filing, NGSA asked for some modifications to broaden the commission's definition of an AMA to allow upstream shippers to enjoy the same benefits of an AMA as downstream shippers, such as local distribution companies. Also, since shippers seldom need their full gas demand available every day due to seasonal variations and use, NGSA asked FERC to permit parties in an AMA to mutually agree at what point the agent must have the full amount of the daily contract demand of gas available for the releasing shipper's use.

NGSA also requested that FERC exempt releases of capacity associated with an AMA from the price cap that FERC proposes to apply to standard long-term releases of pipeline capacity.

The association, which represents producers, does not oppose lifting the secondary market price cap on short-term capacity releases (one year or less) so long as FERC actively monitors for any potential market power abuses, Jagtiani said. However, to adequately protect pipeline customers, FERC must not permit pipelines to sell their primary capacity at an amount higher than the maximum commission-approved rate. Finally, FERC should reassess its decision to lift the cap on short-term releases of capacity if conditions warrant.

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NGSA – 03 – 08

(A copy of the association's complete filing will be available soon at www.ngsa.org.)