



## NEWS

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### **NGSA Says New FERC Regulation Should be Final Chapter of Order 636**

**- Agency encouraged to make changes to proposed natural gas flow rule -**

(Washington, DC) As the Federal Energy Regulatory Commission gets closer to issuing a final rule on posting pipeline flow data, the president and CEO of the Natural Gas Supply Association (NGSA) said the new regulation should be the closing chapter in a long-running history of regulatory reform.

In 1992 FERC made a major change in the natural gas industry when it required interstate pipeline companies to separate their sales and transportation services. Officially titled FERC Order 636, it is also referred to as the Restructuring Rule.

"The new flow data posting requirement will help FERC and other regulators respond quickly to inquiries about market reactions," said R. Skip Horvath, who leads NGSA. "The availability of flow information to the market has the added benefit of spurring innovative services, more efficient pipeline grid utilization and infrastructure development decisions. This new rule will complete the original vision for Order 636."

"I was personally engaged in those restructuring discussions," Horvath said, "but we just were not ready for real-time flow in the early 1990s. It has taken 16 years for the industry and FERC to get comfortable with that concept."

Horvath's comments came just as NGSA submitted written reply and supplemental recommendations to the federal agency about the newly proposed flow data posting requirement. Under the proposed plan, interstate and non-interstate pipelines will be required to post near real-time flow information on electronic bulletin boards.

It is the second time NGSA has submitted comments to FERC since the agency proposed new pipeline reporting regulations in December. NGSA's initial comments were filed March 13, 2008.

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In its newest recommendations, NGSAs drew a distinction between a proposal put forward earlier this year by the Texas Pipeline Association and one suggested by NGSAs. Both groups proposed using a hub concept for capturing natural gas flow information, but under NGSAs's plan, non-interstate pipelines that tie directly into a wholesale market hub would be required to post flow information.

"The Texas Pipeline Association has a similar approach but we feel that our hub recommendation may do a better job of addressing the Commission's interest in improving the market transparency of flows feeding into the hubs," said Jenny Fordham, NGSAs's director of energy markets and government affairs.

NGSAs also put forward an alternative approach to the hub proposal. Under that concept, non-interstate pipelines which flow 50 Bcf or more per year would be required to post flow data. That flow threshold is the definition of a "major natural gas company" under the Natural Gas Act.

"Using our 50 Bcf threshold approach, the Commission will have a viable and cost-effective regulatory framework for increasing market transparency relative to the non-interstate pipelines," Fordham said. "Although a hub approach is appealing in its simplicity, a hub approach must achieve regulatory certainty without limiting market dynamics."

NGSAs also expressed support for FERC's proposal that pipeline data be posted within one day.

"Only actual flow data on a near real-time basis will work to improve transparency. Recognizing the costs that may be involved in posting live information, the 24 hour requirement with the quality caveat or safe harbor provisions, is a cost-effective solution," Fordham said.

She noted that without near real-time flow data, the market's response to supply and demand can be difficult for government officials to assess.

"Without near real-time flow data, it can take months for a regulator to evaluate the supply and demand fundamentals behind a market response because of the time it takes to gather information," Fordham said.

NGSAs's full comments are available online at: <http://www.ngsa.org>.

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