

NEWS

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NGSA Affirms Continued Market Participant Confidence in Indices and Underlying Market Fundamentals in Comments to FERC

(Washington, D.C.) – The Natural Gas Supply Association (NGSA) reaffirmed its confidence in the strength and health of the natural gas market in comments filed yesterday at the Federal Energy Regulatory Commission regarding Natural Gas Index Liquidity and Transparency.

NGSA wrote, “NGSA has confidence both in the indices by which its members buy and sell natural gas in the United States and in the mechanisms that the market provides to ensure that the indices continue to be robust. The indices accurately represent the price that sellers and buyers agree to, and thus the market value of the natural gas traded. The indices are one of many tools contributing to natural gas market transparency and facilitating sound decision-making. Independent corporate assessments of underlying fundamentals must remain at the heart of natural gas transaction decisions regardless of whether the transaction occurs at a fixed price, at index or at a hybrid of the two.”

Commenting on the trend toward declining levels of price reporting, NGSA pointed out that the decline has not dissuaded market participants, whose reliance on the indices has increased. NGSA said, “Increased reliance on the indices suggests continued market participant confidence in the indices. Participants have vast, almost real-time information on which to base sound transaction decisions.”

NGSA explained that it is an individual company’s decision to price-report based on its assessment of regulatory risk vs commercial risk and the decision to price report must remain voluntary so that a regulatory distortion in transaction decisions can be avoided. NGSA said, “The decision not to price-report by any of the entities with the largest increases in marketed volumes in 2016 may suggest that the perceived or real cost of price reporting outweighs the benefit.”

NGSA suggested that (1) companies be permitted to report either monthly or daily market transactions without a requirement to report in both markets; (2) FERC’s audit process be made less onerous and more efficient by occurring every other year; and (3) FERC staff rely on the company’s price reporting audit reports to improve efficiency and limit duplication of the Commission’s price reporting audits.

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The Natural Gas Supply Association (NGSA) represents integrated and independent companies that supply natural gas. For more information, please visit www.ngsa.org and www.naturalgas.org.

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