



Federal Energy Regulatory Commission
December 20, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

Items G-1 and G-2, Transparency Provisions of Section 23 of the Natural Gas Act (Docket No. RM07-10-000) and Pipeline Posting Requirements (RM08-2-000)

"Today, the Commission takes a number of important steps to improve the transparency of natural gas markets. This is the first use of our broad authority under the Energy Policy Act to improve the transparency of wholesale natural gas and power sales and transportation markets.

The final rule we approve today will improve the transparency of physical wholesale natural gas markets. Specifically, we require certain natural gas market participants to report information regarding wholesale natural gas transactions to price index publishers and file annual reports with the Commission regarding physical natural gas transactions in interstate commerce for the previous year. This information will allow the Commission and market participants to estimate the size of the wholesale, physical natural gas market. The final rule will also allow the Commission and market participants to assess the use of index pricing and fixed price trading, and determine the relative size of major traders.

The Commission also issues a proposed rule that expands the prior proposal to increase transparency of physical flows of natural gas on the U.S. pipeline network. We take this step because we determined that greater information about physical flows of natural gas would improve market transparency. Under this new proposed rule, both interstate and certain major non-interstate pipelines would be required to post capacity, daily scheduled flow information and actual flow information. This would improve the quality of information about physical flows of natural gas across the U.S. pipeline system.

The new proposed rule has a narrower application on non-major interstate pipelines than the earlier proposal. The new proposal would limit the reporting requirement to non-major interstate pipelines with significant gas flows that do not fall entirely upstream of a processing plant or deliver gas almost exclusively to retail consumers.

Under the new proposed rule, interstate pipelines that currently post capacity and scheduled flow information would also be required to post actual flows. This will provide consistent information about physical gas flows across the network.

In the final and proposed rule, we determine that the scope of authority under the transparency provisions of the Energy Policy Act of 2005 is quite broad. We reach this determination by applying the rules of statutory construction. The words in a statute are meaningful; they represent conscious decisions by Congress. Here, Congress authorized us to "facilitate price transparency in markets for the sale or transportation of physical natural gas in interstate commerce" by providing for the "dissemination of information about the availability and price of natural gas sold at wholesale and in interstate commerce" from "market participants". Our authority to require dissemination of information was not limited to "natural gas companies," but extends to "market participants," a term not defined by the statute. Similarly, the transparency provisions added to the Federal Power Act are not limited in application to "public utilities."

This is our first use of our transparency authority, not the last word. We may take further steps in the future if we identify other opportunities to improve the transparency of wholesale natural gas and power markets."

