



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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NEWS MEDIA CONTACT

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## Final Capacity Release Rule Expands Gas Supply Market Options

The Federal Energy Regulatory Commission (FERC) today approved a final rule designed to enhance competition in secondary natural gas capacity release markets. This is accomplished principally by removing price caps on short-term releases of capacity, and increasing flexibility afforded asset management agreements under FERC's capacity release rules.

"This final rule will strengthen competition in the secondary capacity release market, and therefore benefit consumers, by giving shippers more options for how they obtain gas supplies and improving access to the interstate natural gas pipeline system," FERC Chairman Joseph T. Kelliher said. "The rule also will provide more accurate price signals on the market value of pipeline capacity."

The final rule adopts and clarifies provisions of the rule proposed in November 2007 to remove permanently the rate cap on capacity release transactions of one year or less. The rule declines to lift the rate cap on long term capacity releases of more than one year and on primary sales of capacity by pipelines.

The final rule also modifies FERC policies and regulations to facilitate and accommodate the use of asset management arrangements under which a capacity holder releases some or all of its pipeline capacity to an asset manager who agrees either to purchase from or supply the natural gas needs of the capacity holder.

Asset management arrangements represent a relatively new development in the natural gas industry. These arrangements are contractual relationships where a party agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another entity.

To promote asset management arrangements the final rule exempts capacity releases made as part of such arrangements from the prohibition on tying capacity releases to any extraneous conditions. The final rule also exempts asset management arrangements from the bidding requirements of section 284.8 of FERC's regulations.

FERC's final rule clarifies the definition of asset management arrangements to relax the delivery and purchase obligations of the replacement shipper and to permit supply side asset management arrangements. The final rule also clarifies that short term asset management arrangements may be rolled over without bidding and that the price ceiling does not apply to any consideration provided by an asset manager to the releasing shipper as part of an asset management arrangement.

Further, FERC clarifies that its prohibition on tying does not apply to conditions associated with gas inventory held in storage for releases of firm storage capacity. This exemption from tying will allow a releasing shipper to include conditions in a release concerning the sale or repurchase of gas in storage inventory, even outside the context of an asset management arrangement. The final rule permits shippers releasing storage capacity to require the replacement shipper to (1) take title to any gas in the released storage capacity at the time



the release takes effect, and (2) return the storage capacity to the releasing shipper at the end of the release with a specified amount of gas in storage.

Finally, to advance its goal to facilitate retail open access programs, FERC exempts capacity releases made under state-approved retail access programs from the prohibition against tying and from the bidding requirements of section 284.8.

The rule will take effect 30 days after publication in the *Federal Register*.

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