
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

NEWS MEDIA CONTACT:

Barbara A. Connors
Tamara Young-Allen
(202) 502-8680

FOR IMMEDIATE RELEASE

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and RM03-10-000

COMMISSION ACTS TO STEM MARKET ABUSE; PROPOSALS WOULD STRENGTHEN ELECTRIC, GAS MARKET RULES

In its continuing efforts to prevent market abuse and provide clear "rules of the road" for all market participants, the Federal Energy Regulatory Commission today proposed rules to curb improper market manipulation while tightening communication and reporting requirements for electric power and natural gas markets.

The proposal identifies more precisely the transactions and practices that would be prohibited under electric power sellers' market-based rate tariffs and gas sellers' blanket certificate authority. At the same time, it ensures that the Commission has not unreasonably limited its ability to address other unforeseen anti-competitive transactions and practices that may also be prohibited.

In particular, the proposed rules call for all electric market-based rate tariffs and gas blanket certificates to contain provisions relating to: (1) market manipulation; (2) communications; (3) reporting; and, (4) record retention. Electric market-based rate tariffs must also contain provisions relating to unit operations and related tariffs.

Under the proposed market behavior rules, if it is found that a seller engaged in prohibited behavior, the seller would be subject to disgorgement of unjust profits and non-monetary remedies such as revocation of the seller's market-based rate authority or blanket certificate authority.

Recognizing its ongoing responsibility to provide regulatory safeguards to protect customers from market abuse, the Commission stressed the importance of taking steps to balance two goals for the markets:

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- *to provide more effective remedies on behalf of customers;
- *to provide those entities with market-based rates or blanket gas certificates appropriate rules respecting market conduct with a time-limited third party complaint window.

The proposals for both the electric and gas sellers stem, in part, from recommendations made by Commission staff in its comprehensive investigation of energy markets issued in March (PA02-2-000). A key conclusion of the report was that the electric and gas markets were inextricably linked in California and dysfunctions in one fed off the other.

Among the recommendations outlined in the Staff Report are that the Commission condition all electric market-based rate tariffs and natural gas blanket marketing certificates to prohibit specific behaviors, to prohibit the submission of false information and the omission of material information, and to provide for the imposition of refunds and penalties for violations.

The Commission noted that it currently has regulatory jurisdiction only over sales for resale of domestic gas by pipelines, local distribution companies or their affiliates as long as they do not produce the gas they sell. Among the issues the Commission is asking for comment on whether application of its proposed code of conduct to only part of the natural gas market will have any adverse effects on the gas market.

Comments on the proposed rules are due 30 days after publication in the *Federal Register*.