

and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's Web site at <http://www.ferc.gov>, using the "FERRIS" link. Enter the docket number excluding the last three digits in the docket number filed to access the document. For assistance, call (202) 502-8222 or TTY, (202) 502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's Web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Magalie R. Salas,

Secretary.

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DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket Nos. PL03-3-005; AD03-7-005; ER03-1271-000; CP01-418-000; CP03-7-001; CP03-301-000; RP03-245-000; RP99-176-089 and RP99-176-094; RP02-363-002; RP03-398-000; RP03-533-000; RP03-70-002 and RP03-70-003; CP01-421-000 and CP01-421-001; RP03-540-000 (Not Consolidated)]

Price Discovery in Natural Gas and Electric Markets; Natural Gas Price Formation; Aquila, Inc.; B-R Pipeline Company; Colorado Interstate Gas Company; Colorado Interstate Gas Company, et al.; Kinder Morgan Interstate Gas Transmission LLC; Natural Gas Pipeline Company of America; North Baja Pipeline LLC; Northern Natural Gas Company; Northern Natural Gas Company; PG&E Gas Transmission, Northwest Corporation; Portland General Electric Company; Transcontinental Gas Pipe Line Corporation; Notice of Conference on Market Liquidity, Energy Price Discovery, and Natural Gas and Electricity Price Indices

May 14, 2004.

The Federal Energy Regulatory Commission (Commission) will hold a conference on the overall level of liquidity in wholesale natural gas and electricity markets, the adequacy of natural gas and electricity price formation, the level of reporting of energy transactions to price index developers, and the use of price indices in jurisdictional tariffs. The conference will take place on Friday, June 25, 2004, from 9:30 a.m. to 5 p.m., at the Commission's headquarters, 888 First Street, NE., Washington, DC. The conference will be conducted by the Commission's Staff but may be attended by members of the Commission. A quorum of the Commission may be present for all or part of the conference. The Commodity Futures Trading Commission (CFTC) will participate.

Background

On May 5, 2004, the Commission Staff issued a *Report on Natural Gas and Electricity Price Indices* in which Staff reviewed Commission actions and developments since the issuance of the Commission's *Policy Statement on Natural Gas and Electric Price Indices*, 104 FERC ¶ 61,121 (2004), including particularly the results of the Commission's March 2004 survey of market participants. The Report identified four broad options for future Commission action and addressed the

use of price indices in jurisdictional tariffs, including specific recommendations on price index developers' adherence to Policy Statement standards and the criteria pursuant to which an index may be used in jurisdictional tariffs. The Report also included an extensive technical appendix providing tabulated results of the voluntary survey conducted by the Commission in March 2004.

Staff has held previous conferences and workshops in Docket No. AD03-7 on April 24, 2003, June 24, 2003, July 2, 2003, and in both Dockets on November 4, 2003. Information gathered from such conferences has been of material use to the Commission in understanding the range of issues confronting market participants in their varied uses of energy price indices, and of the uses of indices in jurisdictional tariffs. The June 25 conference will provide all interested parties an opportunity to develop the record further in light of the information and recommendations presented in the Staff Report.

Scope of Conference

The conference is open to discussion of all issues relevant to the formation of natural gas and electricity wholesale prices and the role of price indices both in the price formation process and as used by pipelines and utilities in jurisdictional tariffs. In particular, the Commission is interested in the following subjects:

1. *The overall market liquidity context for natural gas and electricity transaction reporting, and an evaluation of the extent to which wholesale energy trading is sufficient to generate reliable price signals for market participants.*

Many parties commented that improving processes for price reporting and increasing the number of companies reporting their fixed price day-ahead and bid-week transactions, while laudable, still does not address the decline in activity in energy markets, raising the concern that liquidity in these markets is inadequate to generate strong confidence in the prices observed. Parties are invited to comment on trading activity in energy markets and the optimum structures for encouraging robust and transparent trading in natural gas and electricity.

2. *Current status of energy transaction reporting to index developers and adequacy and robustness of indices.*

The Staff Report indicates that about 20 percent of companies surveyed report all of their "reportable" day-ahead and bid-week natural gas transactions and about 10 percent of companies surveyed report all of their day-ahead electricity

transactions. At the same time, survey results indicate that, for responding companies that do report their transactions, there has been a significant improvement in key elements of the reporting process. As to natural gas and electricity indices themselves, the Report indicates most index developers have taken significant steps to adopt the Policy Statement standards. Nevertheless, many market participants still would like to have more information about the trading from which index prices are calculated. Parties are encouraged to discuss the import of the current level of price reporting and how price indices can best serve industry needs.

3. *Options for future Commission action on price indices and wholesale price formation.* The Staff Report outlined four general options for future Commission action on price formation issues. Parties are welcome to comment on the pros and cons of each of these options and recommend the most effective Commission action given current circumstances:

- *Accept Current Progress.* The Commission could end active involvement with price formation issues and permit the industry to address issues without any formal structure or further guidance from the Commission.

- *Continue To Focus Attention.* The Commission could actively encourage the industry to implement the Policy Statement fully and closely monitor the level of trading activity reported by price index developers as well as compliance with the Policy Statement standards for reporting and index development.

- *Introduce Mandatory Reporting.* The Commission could move toward some form of mandatory price reporting of energy trade data, as some parties have urged over the past several months.

- *Encourage Greater Reliance on Platforms for Trading, Confirmation/Settlement and Clearing.* Some parties have observed that the most open forum for obtaining accurate price information is trading on an electronic platform. In addition to electronic platforms for trading, platforms set up to facilitate confirmations/settlements and clearing have potential to further aggregate transactions for the purpose of forming more robust price indexes at low incremental costs. The Commission could encourage greater industry use of electronic platforms in price formation, in conjunction with any of the three other options.

- *4. Review of survey response data.* The Staff Report provided a detailed technical appendix tabulating the

responses to all questions asked in the March 2004 survey. Interested parties are encouraged to examine the results of the survey and to offer observations on the tabulations or further analysis of the data. Questions concerning the data provided in the appendix should be directed to Rafael Martinez at 202-502-6336, or by e-mail at

Rafael.Martinez@run spell.gov.

Staff continues to review the data generated by the survey results. Requests for specific further examination or explanation of the results by Staff should be filed in Docket Nos. PL03-3-04 and AD03-7-004. Staff will consider any such filings in the continuing review of survey data.

5. *Criteria for Use of Indices in Jurisdictional Tariffs.* In the Policy Statement, the Commission required, prospectively, that price indices in tariffs meet the Policy Statement standards and reflect adequate liquidity at the referenced pricing points. In certain cases, the Commission issued orders on tariff filings noting this requirement and calling for a Staff report on the index in question, with comments and additional evidence by the filing pipeline and intervenors to be submitted 15 days thereafter.¹

In the Staff Report, Staff made the following recommendations concerning the use of price indices in jurisdictional tariffs:

- *Price Index Developer Compliance.* Staff recommends that six price index developers—Argus Media, Energy Intelligence Group, Inc., IntercontinentalExchange Inc., Io Energy, Intelligence Press, Inc., and Platts—be deemed to be in substantial compliance with the standards of the Policy Statement, and that Bloomberg, Btu/DTN, and Dow Jones be deemed conditionally to be in substantial compliance.

- *Access to Confidential Data.* Staff qualifies its assessment that most price index developers are in substantial compliance with a recommendation that the price index developers should affirm they will provide the Commission with access to relevant data in the event of an appropriate request for data in connection with an investigation into possible false price reporting or price manipulation.

- *Additional Information To Be Supplied by Indices Used in*

¹ See, e.g., *Transcontinental Gas Pipe Line Corporation*, 104 FERC ¶ 61,181 at P 11 (2003); *Northern Natural Gas Company*, 104 FERC ¶ 61,182 at P 8 (2003); *Natural Gas Pipeline Company of America*, 104 FERC ¶ 61,190 at P 8 and 105 FERC ¶ 61,269 at P 5 (2003); *Kinder Morgan Interstate Gas Transmission LLC*, 105 FERC ¶ 61,035 at P 18 (2003); and *Northern Natural Gas Company*, 105 FERC ¶ 61,172 at P 86 (2003).

Jurisdictional Tariffs. Staff recommends, effective September 1, 2004, any published index used in a jurisdictional tariff must regularly provide the volumes and the number of transactions from which the prices at all referenced locations are derived. If there were no transactions but a price assessment or estimate is supplied, the index must so state.

- *Minimum Level of Activity.* For each index location used in a jurisdictional tariff, Staff recommends the published index must report a minimum level of activity at that location, measured by volumes or number of transactions at the relevant location(s). The minimum volume levels are 25,000 MMBtu/day or 4000 MWh/day, and the minimum transaction levels are five trades (daily index), eight trades (weekly index), or ten trades (monthly index).

- *Evaluation Period.* Staff recommends indices be evaluated under the volume and transaction number criteria for a historical 90 day period (or one year for monthly indices). If an index does not supply volume and transaction number information for 90 previous days (or one year for monthly indices), the index may continue to be used in the tariff until the review period can be evaluated, so long as the index has begun regular publication of volumes and transaction numbers by September 1, 2004.

- *Deferral of Action in Pending Cases.* Staff recommends further Commission action in cases in which changes have been made to index references in tariffs be deferred pending comments on the criteria recommended in the Staff Report.²

² As noted, in certain of the above-captioned cases, the Commission accepted newly filed tariff sheets making changes in indices utilized in jurisdictional tariffs, pending further action after receipt of a Staff report on the adoption of Policy Statement standards by the index publisher involved and on the adequacy of liquidity at the specific referenced locations. These cases are *Transcontinental Gas Pipe Line Corporation*, Docket No. RP03-540-000; *Northern Natural Gas Company*, Docket No. RP03-533-000; *Natural Gas Pipeline Company of America*, Docket Nos. RP99-176-089 and -094; *Kinder Morgan Interstate Gas Transmission LLC*, Docket No. RP03-245-000; and *Northern Natural Gas Company*, Docket No. RP03-398-000.

In addition, similar tariff filings have been made in *Aquila, Inc.*, Docket No. ER03-1271-000; *Portland General Electric Company*, Docket Nos. CP01-421-000 and -001; *Colorado Interstate Gas Company, et al.*, Docket Nos. CP03-301-000, *et al.*; *PG&E Gas Transmission, Northwest Corporation*, Docket Nos. RP03-70-002 and -003; *Colorado Interstate Gas Company*, Docket No. CP03-7-001, *North Baja Pipeline LLC*, Docket No. RP02-363-002, and *B-R Pipeline Company*, Docket No. CP01-418-000. These latter cases did not include a specific requirement for a Staff report, but the same issues are present, and parties to those cases are

• *Use of Approved Indices.* Once an index and specific locations have been accepted by the Commission for use in a tariff, Staff recommends the use of the index and locations may continue until the pipeline or utility files a change in the index used in the tariff or an affected party seeks a change in the index being used based on the criteria no longer being met.

Comments

The Commission encourages interested parties to submit comments in advance of the conference. To the extent parties share similar interests, joint submissions are encouraged. Comments may address any of the subjects discussed above or other issues related to market liquidity, price formation, and price indices. Review of and comment on the tabulated survey results is also encouraged.

In particular, the companies and intervenors in the above-captioned individual tariff dockets are encouraged to file comments and additional evidence on (a) the extent to which the publishers of the price indices used in those tariffs meet Policy Statement standards and (b) whether the criteria proposed by Staff to determine if the specific locations reflect adequate liquidity should be applied to the indices filed in those tariffs.

All comments, including those in the above-captioned tariff dockets, should be filed by June 11, 2004.³ Additional evidence on the suitability of the chosen index or indices should be filed in the individual tariff dockets.⁴ Comments may be filed electronically via the Internet in lieu of paper. See, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's Web site at <http://www.ferc.gov> under the "e-Filing" link.

Conference Information

There is no charge to attend the conference and no requirement to register in advance for the conference. The conference will be transcribed. Those interested in acquiring the transcript should contact Ace Reporters at 202-347-3700 or 800-336-6646.

hereby placed on notice that a Commission decision on the criteria recommended in the Staff Report may be applied in their cases.

³ The Commission pointed out that the pipeline or utility filing the change in index use in its tariff has the ultimate burden of showing that its proposed index use is just and reasonable. See, e.g., *Transcontinental Gas Pipe Line Corporation*, 104 FERC ¶ 61,181 at P 14 (2003); *Northern Natural Gas Company*, 104 FERC ¶ 61,182 at P 10 (2003).

⁴ The June 11, 2004, comment date supersedes the previous requirement to file comments and additional evidence within 15 days of issuance of the Staff report in the tariff dockets identified in n.1, *supra*.

Transcripts will be placed in the public record ten days after the Commission receives them.

Capitol Connection offers the opportunity for remote listening and viewing of the conference. It is available for a fee, live over the Internet, by phone or via satellite. Persons interested in receiving the broadcast, or who need information on making arrangements should contact David Reininger or Julia Morelli at Capitol Connection (703-993-3100) as soon as possible or visit the Capitol Connection Web site at <http://www.capitolconnection.org> and click on "FERC."

Interested parties are urged to watch for further notices providing more information on the conference. For additional information please contact Ted Gerarden, 202-502-6187 or by e-mail at Ted.Gerarden@ferc.gov. For questions pertaining to the technical appendix to the Staff Report, please contact Rafael Martinez at 202-502-6336, or by e-mail at Rafael.Martinez@ferc.gov.

By direction of the Commission.

Magalie R. Salas,

Secretary.

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DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. AD04-5-000]

Northeast Energy Infrastructure Conference; Notice of Technical Conference and Agenda

May 14, 2004.

As announced in the Notice of Conference issued on April 1, 2004, the Federal Energy Regulatory Commission (FERC) will hold a conference on June 3, 2004, in New York City to discuss issues regarding energy infrastructure in the northeastern States. These States include Maine, Vermont, New Hampshire, New York, Massachusetts, Connecticut, and Rhode Island. The conference will begin at 9 a.m. (please note time change) and conclude at approximately 5 p.m. (e.s.t.), and will be held at the Hilton New York, 1335 Avenue of the Americas, New York, NY (1-212-586-7000). All interested persons are invited to attend. There is no registration fee.

The conference will focus on the adequacy and development of the electric, natural gas and other energy infrastructure in the Northeast. The FERC Commissioners will attend, and

Governors, state utility commissioners, and other government officials have been invited to participate. The purpose of this conference is two-fold: To identify the challenges that face the Northeast in ensuring adequate energy supplies to high-growth areas and to coordinate our efforts in seeking solutions. By engaging experts and policymakers in a comprehensive, collaborative approach, we will pool our efforts into achieving a well-functioning infrastructure necessary to meet the Northeast's energy demands.

The conference agenda is appended to this notice. The conference is not intended to deal with issues pending in individually docketed cases before the Commission, such as applications involving hydropower, natural gas certificates, or the formation of Regional Transmission Organizations. Therefore, all participants are requested to address the agenda topics and avoid discussing the merits of individual proceedings.

Opportunities for Listening to and Obtaining Transcripts of the Conference

Transcripts of the conference will be immediately available from Ace Reporting Company (202-347-3700 or 1-800-336-6646) for a fee. They will be available for the public on the Commission's eLibrary system seven calendar days after FERC receives the transcript. Additionally, Capitol Connection offers the opportunity for remote listening of the conference via Real Audio or a Phone Bridge Connection for a fee. Persons interested in making arrangements should contact David Reininger or Julia Morelli at the Capitol Connection (703-993-3100) as soon as possible or visit the Capitol Connection Web site at <http://www.capitolconnection.org> and click on "FERC."

Audio tapes of the meeting will be available from VISCOM (703-715-7999).

Although there is no registration fee, this is a reminder to please register for the conference online on the Commission Web site at <http://www.ferc.gov/EventCalendar/EventDetails.aspx?ID=896&Date=6%2f3%2f2004&CalendarID=0>.

Questions about the conference program should be directed to: Carol Connors, Office of External Affairs, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC