
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

NEWS MEDIA CONTACT:

Barbara A. Connors
(202) 502-8680

FOR IMMEDIATE RELEASE

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Docket Nos. PA03-1-000 through
PA03-11-000

ENERGY COMPANIES REMEDY TRADE DATA REPORTING

The Federal Energy Regulatory Commission today accepted eleven energy companies' account of their internal remedies for reporting natural gas trading data. This is part of the Commission's ongoing market monitoring efforts and reform of the natural gas and electricity price index publishing process and will help ensure that companies publishing price indices receive complete and accurate information.

The eleven companies – American Electric Power Co.; Aquila Merchant Services, Inc.; Coral Energy Resources, LP; CMS Marketing Services & Trading; Dynegy, Inc.; Duke Energy Trading and Marketing, LLC (DETM); El Paso Merchant Energy, LP; Mirant Americas Energy Marketing, LP; Reliant Resources, Inc.; Sempra Energy Trading Corp.; and, Williams Energy Marketing & Trading Company – met the requirements set forth in an April 30 order, the Commission said today.

The requirements ordered by the Commission were:

- employees, including trading desk heads and managers, who participated in manipulations or attempted manipulations of the published price indices have been disciplined;
- the company has a clear code of conduct for reporting price information;
- all trade data reporting is done by an entity within the company that does not have a financial interest in the published index; and,
- the company is cooperating fully with any government agency investigating its past price reporting practices.

The April directive grew out of recommendations contained in a March 2003 Staff Final Report on Price Manipulation in the Western Markets (PA02-2-000). The Staff

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reported that these companies either admitted to false reporting to trade publications, or lacked internal controls necessary to ensure accurate reporting of trading information.

Since the issuance of the Final Report, there has been significant progress made in improving the index publishing process. On April 24, 2003, the Commission and the CFTC held a conference on Natural Gas Price Formation. Comments were submitted before and after the conference under Docket No. AD03-7. On June 25, 2003 the Commission held a follow up Staff Technical Conference and Workshop on Energy Price Discovery and Indices in AD03-7, in which participants responded to questions published in a June 13, 2003, Staff Paper on Price Formation Issues.

Most recently, on July 2, 2003, the Staff held a workshop in connection with the June 25 Staff Technical Conference to explore the concept of a "safe harbor" for addressing inadvertent errors made by buyers and sellers of natural gas and electricity in reporting to index publishers and similar entities. The index reform process is ongoing in Docket No. AD03-7.

The Commission noted that there are still some ongoing price reporting investigations. And although some companies state that they have concluded that none of their employees manipulated or attempted to manipulate the published indices, that conclusion could change. In addition, ongoing cooperation with any government agency investigating price reporting practices is necessary for compliance with the April 30 order.

The Commission pointed out that three companies (Reliant, DETM and Mirant) have explicitly endorsed the Committee of Chief Risk Officers (CCRO) Best Practices for reporting trade data to index publishers. The Commission noted that the CCRO Best Practices has attributes that lend confidence to the reporting that any discrepancies would be due to human error rather than manipulation.