



Federal Energy Regulatory Commission
November 15, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

Item G-1: Promotion of a More Efficient Capacity Release Market (Docket No. RM08-1-000)

"Today, the Commission proposes a fundamental reform in our capacity release rules designed to improve the efficient use of our interstate natural gas pipeline network. Specifically, the proposed rule would remove the price cap for short term capacity releases and facilitate asset management arrangements important to many gas utilities. Our proposed rule provides shippers greater flexibility and increases their options for how they obtain gas supplies.

The origins of this proposed rule lie in two petitions for rulemaking submitted to the Commission last year. One petition filed by a number of gas utilities requested that the Commission lift the price cap on short term capacity releases. The other petition filed by natural gas marketers requested that the Commission clarify operation of the capacity release rules in the context of asset management arrangements important to many gas utilities and others.

The Commission established the capacity release program in 1992 as part of the landmark gas pipeline restructuring rule, Order No. 636. The Commission sought to maximize the availability of unbundled firm transportation service to all participants in the gas market. It did so because the Commission recognized that for gas shippers to have access to gas supplies at a reasonable price it was essential that they have meaningful access to the gas pipeline network. As a result of the capacity release rules, shippers can purchase firm transportation service from the pipeline or another shipper.

We have been careful in our approach. In response to the petitions, we issued a request for comments on the current operation of our capacity release program and whether any changes in our capacity release policies would improve efficiency of the natural gas market. We received extensive comments and our proposed rule is based on the record.

The market for short-term transportation services has changed since the capacity release rules were first established 15 years ago. We believe the reforms we propose today will improve operation of our capacity release rules, provide shippers greater flexibility, and increase shipper options for how they obtain gas supplies. "