Federal Energy Regulatory Commission
November 15, 2007
Open Commission Meeting
Talking Points of
Commissioner Jon Wellinghoff

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

- We need to promote smart and efficient infrastructure investment. We need to accommodate wind, hydrokinetics, demand response resources, and distributed generation, as well as state-of-the-art transmission technologies. Appreciate colleague Commissioner Moeller for his leadership in the area of hydrokinetics.

- But we also need to foster the efficient operations of the existing infrastructure, both gas and electric. In regard to efficient operations, I agree with the concept that we must wring every ounce of energy out of the delivery systems.

- For me, the goal of our actions today in proposing to modify the capacity release program is to maximize the use of pipeline capacity.

- Increasing the use of pipeline capacity was also a primary goal of the Commission's prior experimental two-year program of removing the rate ceiling for short-term capacity release transactions. However, the data was inconclusive about the linkage between allowing prices to exceed the maximum tariff rate and the increase in available short-term peak capacity.

- Today, in conjunction with removing the rate ceiling, we are making accommodations in our capacity release program for AMAs (Asset Management Agreements) to operate.

- A vast majority of the commenters assert that AMAs provide substantial benefits, including more load responsive use of gas supply, greater liquidity, increased use of transportation capacity, cost effective procurement vehicles for LDCs and other end users, and the enhancement of competition. The American Gas Association (AGA), for example, notes that AMAs are an important mechanism used by LDCs to enhance their participation in the secondary market.

- LDCs are not only entities that benefit from AMAs. As noted by New Jersey Natural Gas Company (NJNG), "in addition to LDCs, there are many other types of large natural gas purchasers, such as electric generation facilities and large gas process industrial users, who face the same challenges with managing and optimizing their natural gas portfolios".

- We have directed our Staff to issue a report on the performance of the modified capacity release program within six months after two years experience under the new rules. My hope is that the data will show that the new rules will have fostered greater use of the interstate pipeline capacity and implore efficiency in the use of that vital piece of this nation's infrastructure.