
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION PROPOSES STANDARDS FOR ASSESSING SHIPPER CREDITWORTHINESS FOR OPEN ACCESS SERVICE

The Federal Energy Regulatory Commission today proposed a rule to require interstate natural gas pipeline companies to follow standardized procedures for determining the creditworthiness of their shippers.

The proposed regulations are intended to benefit customers by promoting consistent practices among interstate pipelines and provide their shippers with an objective and transparent creditworthiness evaluation.

The proposal would incorporate by reference 10 standards developed voluntarily at the Commission's request by the Wholesale Gas Quadrant of the North American Energy Standards Board (NAESB). The proposed rule also would adopt additional regulations pertaining to the creditworthiness of the pipelines.

Pipeline tariffs include terms and conditions for creditworthiness for shippers seeking open access services, as provided by Order Nos. 436 and 636. In a number of recently filed requests for revised tariff creditworthiness provisions, pipelines claimed that, due to an increasing number of credit rating downgrades for many energy companies, industry attention has focused on issues relating to pipelines' risk profiles and credit exposure.

As became clear after reviewing pipeline tariffs in the recent creditworthiness cases, pipeline tariff provisions on creditworthiness are not consistent or uniform. Such differences, the Commission stated, could be at odds with the goals of Order Nos. 436 and 636 to create a seamless and integrated pipeline grid that promotes competition by enabling shippers to move gas from the most competitive supply areas, across multiple pipelines, to the burner tip.

In order to foster a more uniform and standardized approach, the proposed rule addresses a range of creditworthiness issues. These include:

- standards for financial data and other information that shippers will be required to provide pipelines to establish creditworthiness;
- a requirement that pipelines' creditworthiness determinations be made on the basis of objective and transparent criteria;
- collateral requirements for service on existing facilities as well as service obtained through pipeline construction;
- timelines for suspension and termination of service;
- proposed standards governing capacity release transactions.

The Commission said the proposed rule seeks to balance the interests of the pipeline in obtaining reasonable assurances of creditworthiness against the need to ensure that open access services are reasonably available to all shippers.

While the proposed standards establish the minimum requirements that pipelines need to meet, the Commission said that pipelines may choose to file tariff provisions that are more lenient than the proposed requirements.

Comments may be submitted within 30 days after publication in the Federal Register either on paper or electronically. Paper comments may be mailed to the Federal Energy Regulatory Commission, Office of the Secretary, Washington, DC 20426. Filings may be submitted electronically via the eFiling link on the Commission's website at <http://www.ferc.gov>. All comments should include the docket number RM04-4-000.