
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

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FOR IMMEDIATE RELEASE

November 18, 2004
Docket No. PL03-3-005, *et al.*

CONFIDENCE IN PRICE INDICES FOR NATURAL GAS AND ELECTRIC INDUSTRIES ON THE RISE; COMMISSION MONITORING TO CONTINUE

The Federal Energy Regulatory Commission, in an order issued today, cited steady improvement and increased confidence in published price indices for electricity and natural gas, and listed 10 publishers whose indices may be reliably used as part of Commission-approved tariffs.

The Commission said significant steps have been taken, both by companies reporting prices of wholesale energy transactions and developers of natural gas and electricity price indices, to increase confidence and certainty in wholesale energy markets. The Commission also said it will continue to monitor wholesale price formation to make sure there is accurate, reliable and transparent market price information.

The Commission's July 2003 Policy Statement set out standards for voluntary reporting of energy transaction data and for developing price indices for natural gas and electricity transactions. On May 5, 2004, in a report titled "Report on Natural Gas and Electricity Price Indices," Commission staff identified four options for the Commission's future involvement in price formation issues. Today's action follows the option to continue to monitor price indices and adopts criteria under which price indices could be used in jurisdictional tariffs.

Since the Policy Statement was issued, there has been a steady increase in the number of companies reporting their transactions as well as an improvement in the systems by which prices are reported. Furthermore, publishers of price indices have taken steps to improve the amount of information provided to their customers.

Today's action approves submissions by 10 price index developers, who the Commission, said fully or substantially met standards outlined in the Policy Statement for publishing price indices. In addition, the Commission said the hourly, day-ahead, weekly

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and month-ahead indices published by these developers could be used in jurisdictional tariffs if they meet minimum average criteria for the volume or number of transactions.

In early 2003, the Commission began examining how price indices reflect and influence wholesale energy prices, all with the goal of improving the accuracy, reliability, and transparency of wholesale price indices. In addition to the Policy Statement and staff report, the Commission has held technical conferences, workshops, conducted two surveys of industry practices in price reporting, and issued behavior rules requiring those who report transaction data to do so in accordance with the standards of the Policy Statement.

R-04-53

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