



FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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Docket No. RM08-1-000

NEWS MEDIA CONTACT
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Proposed Rules Seek to Improve Efficiency of Pipeline Capacity Release Markets

The Federal Energy Regulatory Commission today proposed new rules designed to promote more efficient natural gas pipeline capacity release markets by easing certain restrictions on short-term capacity release transactions.

FERC proposes to revise its regulations governing the release of firm capacity on interstate natural gas pipelines by permanently removing the rate cap on capacity release transactions of one year or less.

“Today, FERC 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 permit market-based pricing for short-term capacity releases and facilitate asset management arrangements important to many gas utilities,” FERC Chairman Joseph T. Kelliher said. “The proposed rule should strengthen competition in the secondary capacity release market and improve access to the interstate natural gas pipeline system. As a result, shippers will have more options for how they obtain natural gas supplies, which should benefit gas consumers.”

By removing the rate cap for short-term capacity release transactions, FERC proposes to permit market-based pricing for short-term capacity releases. The Commission is not proposing to remove price caps for primary pipeline capacity because pipelines already have ample opportunities to enter into negotiated rate transactions above the maximum rate.

FERC also proposes to modify its regulations to facilitate the use of asset management arrangements, under which a capacity holder releases a portion or all of its pipeline capacity to an asset manager who agrees to supply the gas needs of the capacity holder.

Asset management arrangements are contractual relationships where a party agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another party. Commenters said FERC’s current capacity release regulations hinder asset management arrangements by making it more difficult for capacity holders to release their capacity to an asset manager of their choice.

The proposed rule recognizes the increased use of asset management arrangements in the natural gas industry and offers additional options to shippers needing gas service. The rule proposes to exempt capacity releases made as part of asset management arrangements from the prohibition on tying the release of capacity with release of capacity on other pipelines, taking assignment of gas purchase obligations or paying other compensation to the releasing shipper.

The proposed rule also would exempt asset management arrangements from the bidding requirements in section 284.8 of FERC’s regulations.





The proposed rule would continue to require asset managers to remain subject to all posting and reporting requirements to ensure full disclosure and transparency for capacity release transactions. The proposed rule would also require pipelines to continue to provide notice of the released capacity.

Comments on the proposed rule must be submitted to FERC within 45 days after publication in the *Federal Register*. Comments must cite the docket number, RM08-1-000, and may be submitted electronically using the 'eFiling' link on FERC's webpage, www.ferc.gov or by postal mail to FERC, Office of the Secretary; Washington, DC 20426.

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