

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Transparency Provisions ) Docket No. RM07-10-002  
Of Section 23 of the Natural Gas Act )

**POST-TECHNICAL CONFERENCE COMMENTS OF THE  
ELECTRIC POWER SUPPLY ASSOCIATION**

Pursuant to the request of the Federal Energy Regulatory Commission's (FERC or Commission) Staff request for additional comments associated with the March 25, 2010 Technical Conference on Form 552, the Electric Power Supply Association<sup>1</sup> (EPSA) submits these comments. The EPSA comments support both the Commission Staff's intent to hone Form 552 and the Natural Gas Supply Association's (NGSA) comments regarding cash outs and operational gas volume imbalances.

**I. COMMUNICATIONS**

All pleadings, correspondence and other communications concerning this proceeding should be directed to:

Nancy Bagot, Vice President of Regulatory Affairs  
Electric Power Supply Association  
1401 New York Avenue, N.W., 11<sup>th</sup> Floor  
Washington, D.C. 20005  
(202) 628-8200  
[NancyB@epsa.org](mailto:NancyB@epsa.org)

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<sup>1</sup> EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

## II. COMMENTS

On December 26, 2007, the Federal Energy Regulatory Commission (Commission) issued a Final Rule in Order No. 704, which requires that certain natural gas market participants annually file FERC Form No. 552. The Form requires Respondents to identify themselves and provide summary information about physical natural gas transactions on an annual, calendar year basis so that the Commission can ensure transparent reporting of volumes associated with transactions that utilize, contribute to, or could contribute to price indices used for price formation. Subsequently, the Commission issued Orders Nos. 704-A and B in response to requests seeking rehearing or clarification of the Final Rule.

EPSA responded to the original Notice of Proposed Rulemaking on Order 704 suggesting that cash outs not be included on the Form 552 due to duplication.<sup>2</sup> The Commission has since dealt with concerns about reporting cash-outs with each iteration of Form 552's proceedings, lastly in Order No. 704-B.

We agree with INGAA and clarify that cash-out, balancing, and in-kind transactions are reportable on Form No. 552 if they rely on, contribute to, or could contribute to a price index. Form No. 552 is amended to provide that Fixed Price transactions are reportable only if they are for Next-Day Delivery or Next-Month Delivery. Index-based transactions are reportable even if they are not for Next-Day Delivery or Next-Month Delivery. This clarification is consistent with our determination in Order No. 704 that one of the goals of Form No. 552 is to allow the Commission to “not only understand the transactions used to formulate price indices; it is to understand how influential price indices are in the overall transacting of natural gas in U.S. wholesale markets.”

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<sup>2</sup> *Comments of the Electric Power Supply Association*, Docket Nos. RM07-10-000 and AD06-11-000 (July 11, 2007), p. 10.

EPSA supports the Commission's goal of achieving transparency and understanding price indices' influence on natural gas market prices. Competitive suppliers appreciate the Commission's efforts to be thorough about information collected in the Form 552 and appreciate Staff's willingness to revisit the reporting of cash-out transactions in post-technical conference comments. In the case of cash-outs the information that currently must be considered for inclusion on Form 552 does not contribute to price formation and, therefore, will not contribute to increased transparency.

EPSA supports NGSAs' comments that detail how cash-outs and operational gas volume imbalances do not contribute in a material way to price formation and transparency. First, the timing of cash-out and other operational volume<sup>3</sup> transactions occurs after price formation has occurred. Cash-out transactions take place as part of settling imbalances on pipeline systems and therefore, occur after price formation has taken place. Because cash-outs are in essence part of a netting process, both any value or volume is minimal in relation to the overall market. Further, the information associated with cash-outs and other operational volume transactions represent a very small percentage of the total transactions and as such, are immaterial. This information requires entities attempting to comply with the current Form 552 instructions to unnecessarily sort through these immaterial transactions.

As discussed at the technical conference, pipeline cash-outs and other operational volumes are comparatively minimal in value and volume and do not contribute in a material way to either price formation or volumes of gas moved in

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<sup>3</sup> These would include gas lifts, operational balancing, plant thermal reduction and in-kind transactions.

the wholesale natural gas market. EPSA urges the Commission to consider the NGSAs comments and the supporting poll results from its members which show that cash-outs and other operational volumes represent only 0.5 percent of total transactions. Further, the NGSAs comments suggest that the burden for tracking and reporting these transactions is being undertaken for immaterial data that does not contribute to the Commission's price formation or transparency goals. For these reasons, EPSA supports the NGSAs pleading and encourages the Commission to exclude cash-outs and other operational volumes from the Form 552 reporting requirements.

### **III. CONCLUSION**

Wherefore, EPSA respectfully requests that the Commission consider the recommendations herein.

Respectfully Submitted,



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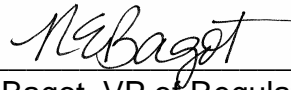
Nancy Bagot, Vice President of Regulatory Affairs  
Jack Cashin, Director of Regulatory Affairs  
Electric Power Supply Association  
1401 New York Avenue, NW, 11th Floor  
Washington, DC 2000  
(202) 628-8200  
[NancyB@epsa.org](mailto:NancyB@epsa.org)

April 16, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the Comments via email upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. April 16, 2010.



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Nancy Bagot, VP of Regulatory Affairs