



# AMERICAN PUBLIC GAS ASSOCIATION

November 6, 2019

Chairman Neil Chatterjee  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Commissioner Richard Glick  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Commissioner Bernard McNamee  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Re: *Developments in Natural Gas Index Liquidity and Transparency*, Docket No. AD17-12-000

Dear Commissioners:

The American Public Gas Association (APGA) remains very concerned about the lack of liquidity in many U.S. natural gas markets, and its impact on index prices established by price reporting agencies (PRAs), as came to light in this proceeding at the Technical Conference held on June 29, 2017. APGA participated in the Technical Conference, and it and others submitted comments immediately thereafter. APGA (as did others) requested "that the Commission continue its vigilance regarding the price index problem and issue a revised policy statement to account for current problems, including the lack of price reporting to PRAs." The last action recorded in this docket is dated August 1, 2017, and the Commission has not issued any statement since the Technical Conference.

The FERC Staff made a presentation to the Commission on June 29, 2017, in which it concluded that volumes that settled off of indices equaled 78% of the 2016 physical market. The Staff, using Form 552, was able to chart the relationship between volumes that priced on index that were significantly outweighed by reported volumes that contributed to them.

For four years, Cornerstone Research, Inc. has made public a report analyzing Form 552 submissions. The latest report (as of June 6, 2019) stated that "natural gas fixed-price volume potentially reported to price-index publishers experienced the largest year-on-year drop since 2009 [for 2018 calendar year]." Cornerstone then went on to chart how since 2008 the volume of gas priced off an index continues to rise while the volumes reported have steadily declined. In 2018, the ratio of such volumes was 11 to 1. The downward trend in reported volumes also is remarkable. APGA knows that its members continue to rely heavily on that method of pricing their natural gas supplies notwithstanding the continued decline in reported volumes. APGA does not believe that this trend is sustainable for price indices to be reliable. FERC can ameliorate this problem by

refreshing its policy statement.<sup>1</sup> Such a refresh may be based on FERC's own review of Form 552 data.

The table below demonstrates just how illiquid certain markets were in the past two months of 2019. Each index is offered by the widely-used S&P Global Platts *Inside FERC's Gas Market Report* for the month of October and November 2019, as we enter the winter heating season in which our members purchase most of their gas for the year:

<b>October</b>		
<u>Index</u>	<u>Volume</u>	<u>Deals</u>
Southern Star	20	4
Florida Gas, zone 1	8	2
Texas Gas, zone SL	10	2
Texas Eastern, M1	5	2
Henry Hub	165	7
<b>November</b>		
<u>Index</u>	<u>Volume</u>	<u>Deals</u>
Southern Star	15	3
Florida Gas, zone 1	3	1
Texas Gas, zone SL	0	0
Texas Eastern, M1	2	2
Henry Hub	147	2

Note: a "Deal" is "all physical fixed-price deals negotiated that day for delivery throughout the next month." Volumes are stated as (000) MMBtu/day. When there are zero deals, Platts renders an "assessment" based on market information, "including but not limited to, an analysis of historical daily prices, locational spread relationships to values at related liquid pricing points, and ICE physical bids and offers."<sup>2</sup>

<sup>1</sup> Policy Statement on Natural Gas and Electric Price Indices, Docket No. PL03-3,104 FERC ¶ 61,121 (2003).

<sup>2</sup> Each month Platts publishes its "Methodology and specifications guide North American natural gas" as referenced in its report. For more details see North American Natural Gas Methodology and Specifications Guide on Platts.com, located at: [http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/na\\_gas\\_methodology.pdf](http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/na_gas_methodology.pdf), which states in part: "Platts publishes final monthly indices for Platts locations around noon on the first business day of the month. Platts price submitter trades and non-Platts price submitter ICE exchange trades are used in these final indices." To its credit, Platts also makes available to its subscribers a Liquidity Table. This provides a more fulsome portrayal of the liquidity (or lack thereof)

APGA finds these recent data and price indices heading into winter alarming. Accordingly, we renew and supplement our comments requesting that the Commission: (1) try moral suasion to induce more price reporting; (2) refresh and reissue its policy statement including its "safe harbor" for good faith reporting concerning this matter in a manner that the record supports; and (3) encourage the current standard but modify the policy to allow a reporting entity to elect to report just its monthly transactions and not be bound to submit daily transactions as well.

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Kalisch". The signature is fluid and cursive, with the first name "Bert" and last name "Kalisch" clearly distinguishable.

Bert Kalisch  
President & CEO

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for pricing points throughout the past 12 years.  
<https://www.spglobal.com/platts/plattscontent/assets/files/en/our-methodology/methodology-specifications/tiers/xlsx>