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FERC may address US natgas indexes on Wed-industry

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By Chris Baltimore

WASHINGTON, July 22 (Reuters) - The Federal Energy Regulatory Commission on Wednesday may take steps to shore up confidence in natural gas and electricity deals reported to private publishers of market indexes used to price billions of dollars in energy contracts, industry experts said.

Allegations of bogus deals reported to index publishers by former traders at Dynegy Inc. [DYN.N](#), El Paso Corp. [EP.N](#) and other prominent trading firms have spurred investigations by FERC and the Commodity Futures Trading Commission.

The agenda for Wednesday's routine meeting of FERC commissioners includes an item entitled "price discovery in natural gas and electricity markets." A FERC spokesman declined to elaborate on what the commissioners plan to discuss or what actions they may take.

Industry experts said FERC may decide to grant companies a limited liability shield, which could be the key to persuading them to resume reporting electricity and natural gas deals to index publishers.

Such protections could shield companies from being punished if they accidentally submit incorrect trading data that is not intentionally fraudulent or meant to manipulate the market.

"While we do not anticipate this to be a blanket endorsement of the status quo, we do expect FERC to indicate the industry is moving in the right direction," said Christine Tezak, an electricity analyst with Charles Schwab & Co.

Some companies, fearing potential lawsuits, have stopped reporting their trades to industry publishers, causing volumes to plummet in recent months.

There is widespread support for liability protection among power market traders.

"From the industry's perspective I think it's unanimous -- I haven't heard anyone within the industry advocating against a safe harbor provision," said Mike Smith, executive director of the Committee of Chief Risk Officers. The group's 30 members account for about half of all U.S. electricity and natural gas trades.

FERC action on the liability shield could be imminent, Smith said.

Giant utility PacifiCorp, a unit of Scottish Power Plc. [SPW.L](#) that serves customers in six Western states, said it would report natural gas prices if FERC grants liability protection. Constellation Energy Group Inc. [CEG.N](#) and Dominion Resources Inc. [D.N](#) support similar measures.

Mike Stosser, an energy attorney with Heller Ehrman White & McAuliffe LLP, said that FERC needs to take an active role in fixing the index debacle.

"The commission has done so much through accusations that are so sweeping that sometimes they snare people that have nothing to worry about. This safe harbor will make those people feel much more comfortable," Stosser said.

Reuters Group Plc., the global information provider, is among a number of groups that have proposed ways to collect and disseminate market data.

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