

# A Federal View of the Interface of Natural Gas and Electricity Prices

## **Moving Toward Greater Reliance on Wholesale Energy Markets**

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*The Institute for Regulatory Policy Studies  
Illinois State University*

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# *Overview*

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- *FERC's regulatory role*
- *Electric & gas prices*
- *Recent FERC Policy Initiatives*

# FERC's Regulatory Role

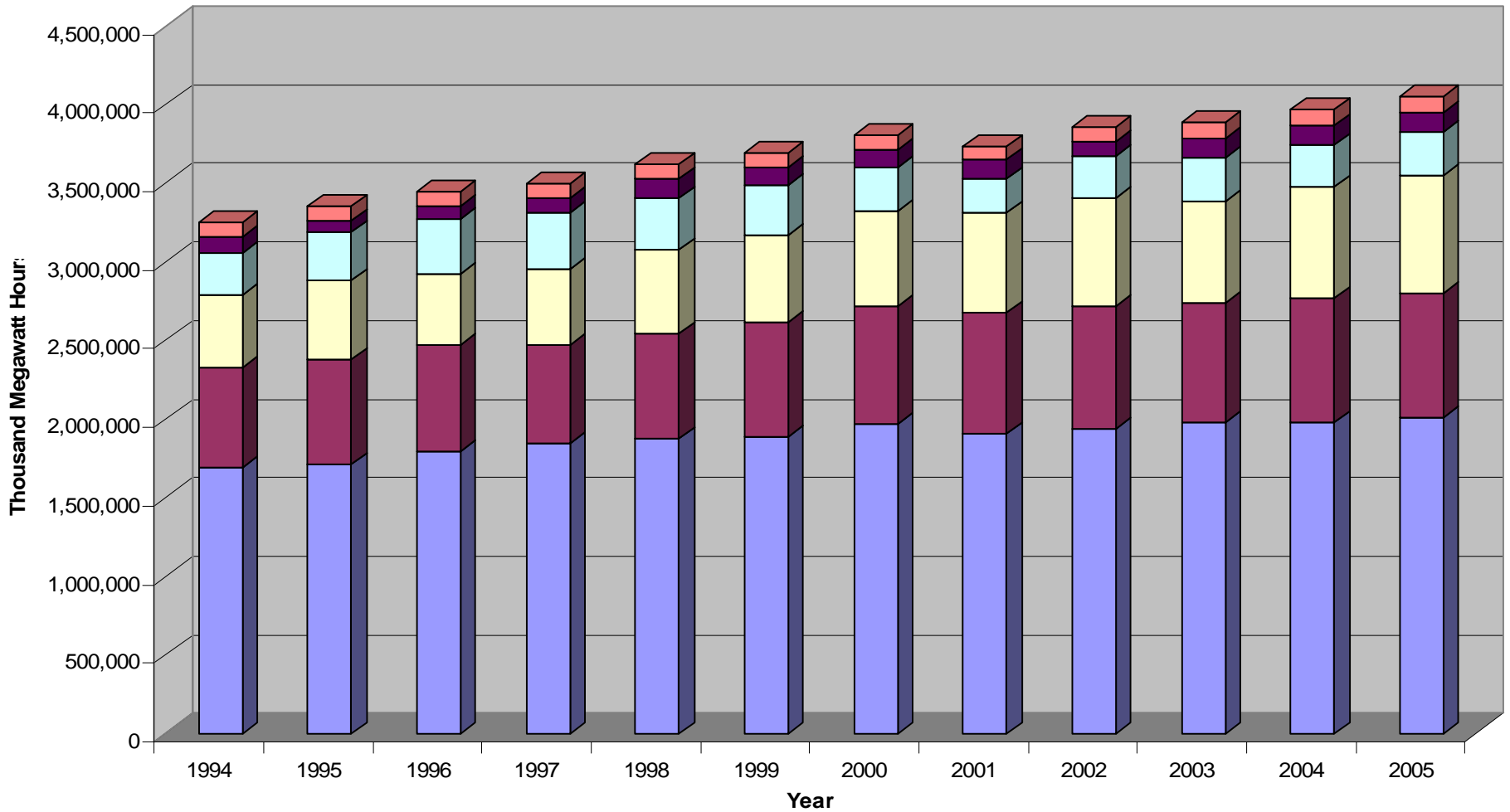
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- Infrastructure
- Rates & Tariffs
- Markets

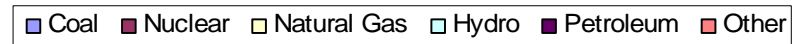
# Natural Gas-Electric Wholesale Market Connections

- Infrastructure
- Market Design
- Interdependence
- Prices

# Net Generation



Source: EIA



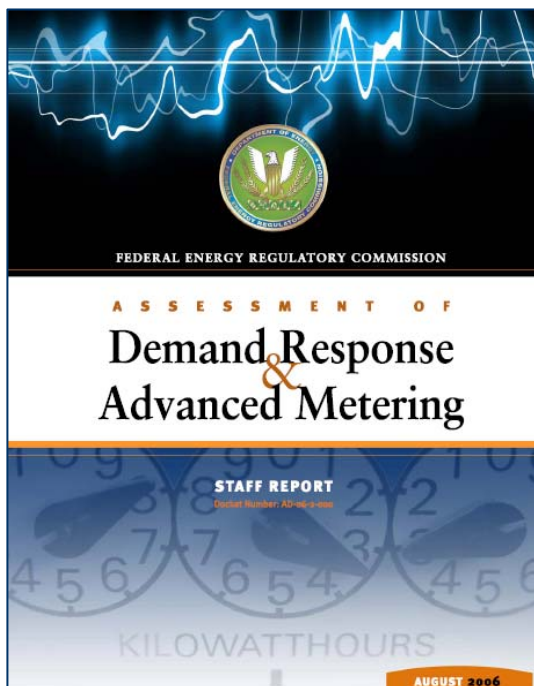
# Recent FERC Policy Initiatives

- *Business Practice Standards*
- *Efficiency and demand response*
- *Infrastructure*
- *Gas Quality*
- *Long-Term FTRs*

# Business Practice Standards

- Approved first Electric Business Practice Standards
- NOPR on Gas-Electric Standards
- Section 206 Order on RTO Emergency Practices

# FERC Demand Response Report



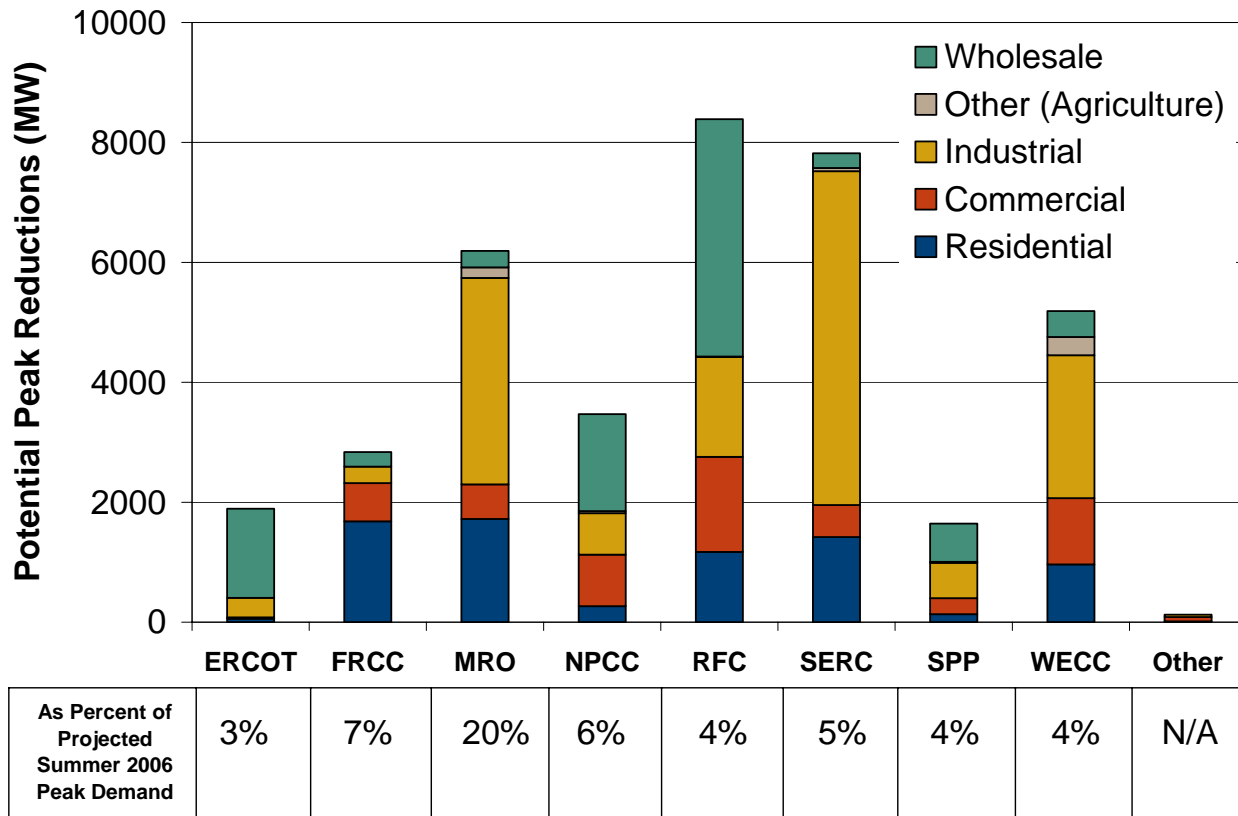
- FERC staff recently completed a report required by the Energy Policy Act of 2005
- Report assesses demand response and advanced metering

<http://www.ferc.gov/legal/staff-reports/demand-response.pdf>



# Existing DR Resource Contribution

## By Region and Customer Class



Sources: FERC Survey, EIA, and ISO/RTO Reports

# Recent FERC Infrastructure Initiatives

- Gas Storage Pricing
- Electric Transmission Backstop Siting Process

# FERC's Gas Quality Policy Statement

- Issued June 2006
- Followed Industry Collaborative Consensus Reports
- Case-by-case approach

# FERC's Long-Term FTR Rule

- Final Rule Issued July 20, 2006
- Seven Guidelines
- Rehearing Issued November 16, 2006
- Transmission Organizations required to file by January 29, 2007

# Seven Guidelines

1. Specify source, sink, and quantity
2. Long-term hedge that cannot be modified
3. Expansion rights go to parties that pay
4. Term sufficient to hedge long-term power arrangements
5. LSEs with LT arrangements have priority
6. Rights assignable to follow load
7. Auction not required

# Contact FERC

[www.ferc.gov](http://www.ferc.gov)

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