



Organization of MISO States

Natural Gas – US Issues

ERO Kosovo

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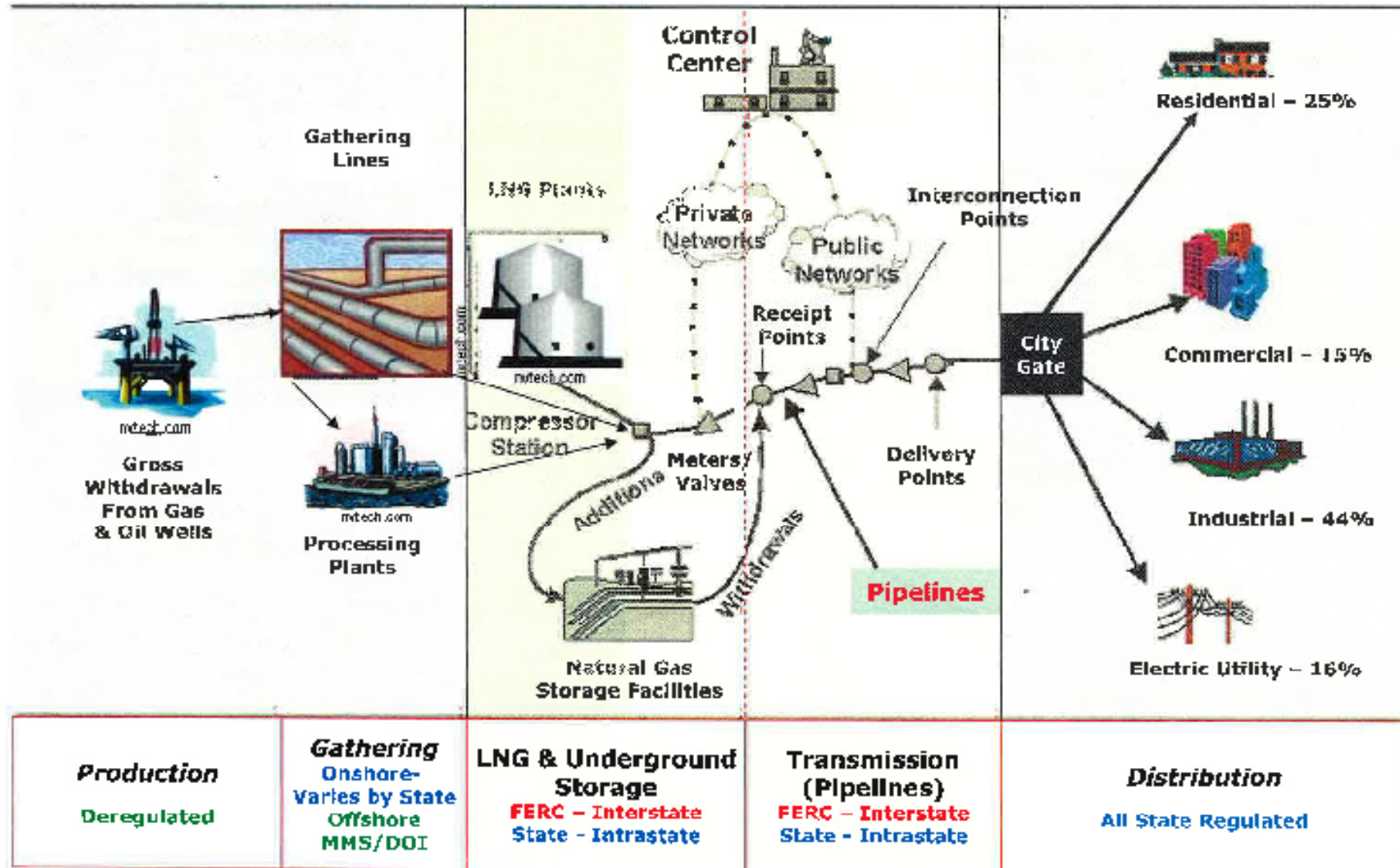
Historic Structure

- The industry was regulated from wellhead to customer meter.
- The FERC regulated production prices by area of production and by type and age of well.
- Pipelines were the exclusive buyer and seller of wholesale gas. The FERC regulated interstate pipelines in three ways:
 - Tariffs
 - Certificates defining services offered
 - Contracts binding customers (distribution utilities)
- Distribution utilities were regulated by state commissions.
 - The focus was on tariff rates
 - Many states allowed or encouraged transportation service

Restructuring 1985-1995

- “Blanket” certificates were liberally granted with fewer service restrictions.
- New pipeline connections allowed price competition in most market areas.
- Pipelines may not own gas they transport.
- Producer regulation was relaxed and finally eliminated.

Profile of Natural Gas Industry



Current Regulation

- Natural gas is a freely traded commodity.
- Pipelines provide transportation service under FERC regulation.
 - Tariff regulation usually sets maximum prices and promotes competition
 - Construction is regulated for environmental and land use reasons
- Retail gas service is regulated by state commissions.
 - Retail choice is available in about 20 states
 - Other states continue with the monopoly structure
- Commodity prices are separate from the transportation service.

Industry Trends

- Improved fracturing techniques allow development of gas supplies nearer to market areas.
- New production is holding prices stable and at moderate levels.
- Stable prices make gas attractive to new electric generation.
- The gas industry is learning how to respond to the needs of electricity dispatch.

US Market Overview

- FERC's Natural Gas Market National Overview is at <http://www.ferc.gov/market-oversight/mkt-gas/overview/2011/04-2011-ngas-ovr-archive.pdf>
- Market awareness gives regulators a context for regulatory decisions.