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— Federal Energy Regulatory Commission —

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# Introduction

- The Federal Energy Regulatory Commission conducts regulation and market oversight for energy markets
- As an intern in the Division of Energy Market Oversight, I conducted research on negotiated rate contracts for natural gas pipeline companies in order to identify areas of possible market manipulation
- Rates are usually agreed upon by FERC and pipeline companies and are found by analyzing the cost of service for pipelines and allowing a reasonable return on investment
- Negotiated rates are agreed upon by the pipelines and their customers, gas distributors, and mimic market pricing

# Methods

- I used natural gas pipeline companies' FERC tariff filings to find contracts where the rates were negotiated between pipelines and sellers
- FERC has filings for negotiated rates but does not have a centralized, easy-to-analyze database for them
- I compiled a database of negotiated rates and relevant information from the contracts for two natural gas pipeline companies
- I then analyzed this database to find possible areas of market manipulation

# Results

- The data demonstrated low or no correlation between negotiated rate amounts (adjusted to be a percentage of the rate the contract would have without negotiation) and contract length, agreed-upon daily capacity, or contracts' effective dates

# Limitations

- The analysis was limited by a limited amount of available data; the tariffs were time-consuming to parse through to find the negotiated rate contracts, and as such I only analyzed a few pipelines
- However, the pipelines were the largest in the market by revenue, and were a good case study for the rest of the market

# Conclusion

- The data showed low enough statistical correlation between contract details and negotiated rates that it seemed unlikely that market manipulation was taking place
- The data seemed to show that the rates were mutually beneficial for the pipeline companies and their customers, the natural gas distributors, and mimicked market-based rates for efficiency

# Next Steps

- FERC should institute an automatic filing system to incorporate future negotiated rate contracts into a database for easy analysis as they are filed
- This would allow for easier long-term analysis

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