

DEPARTMENT OF ENERGY**Federal Energy Regulatory Commission**

[Docket Nos. ER02–2595–000, EL03–34–000, ER03–1277–000, ER03–2458–000, ER04–106–000, ER04–446–000, ER04–454–000 (Not Consolidated), EL04–43–000, EL04–46–000, ER04–364–000, ER04–375–000, ER04–456–000, ER04–571–000]

Midwest Independent Transmission System Operator, Inc., Tenaska Power Services Co. v. Midwest Independent Transmission System Operator, Inc., Cargill Power Markets, LLC v. Midwest Independent Transmission System Operator, Inc., American Electric Power Service Corporation, Commonwealth Edison Company, Commonwealth Edison Company of Indiana, Inc., Midwest Independent Transmission System Operator, Inc., PJM Interconnection, L.L.C., Ameren Services Company, Midwest Independent Transmission System Operator, Inc., Ameren Services Company; Notice of Commission Staff Participation at Technical Conference

March 5, 2004

Representatives of the Commission's staff will attend a technical conference pertaining to the Midwest Independent Transmission System Operator, Inc.'s (Midwest ISO) anticipated Energy Markets Tariff Filing. The technical conference will be held on March 10, 2004, from 10 a.m. to 6 p.m., and on March 11, 2004, from 8 a.m. to noon. The conference will take place at the Lakeside Corporate Center (directly across from the Midwest ISO's headquarters), 630 West Carmel Drive, Carmel, Indiana. Further details of the conference are available at <http://www.midwestiso.org/meetings.shtml>.

The purpose of the technical conference is to discuss the Midwest ISO's anticipated Energy Markets Tariff Filing, expected to be filed with the Commission on March 31, 2004. The technical conference is open to the public. During the course of the meeting, it is possible that discussions may overlap with issues pending in the above-captioned dockets.

For more information about the technical conference, contact Patrick Clarey, Office of Markets, Tariffs and Rates, Federal Energy Regulatory Commission, at (317) 249–5937 or patrick.clarey@ferc.gov, or Christopher Miller, Office of Markets, Tariffs and Rates, Federal Energy Regulatory

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Magalie R. Salas,
Secretary.

[FR Doc. E4–539 Filed 3–10–04; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY**Federal Energy Regulatory Commission**

[Docket Nos. PL03–3–000 and AD03–7–000 (Not Consolidated)]

Price Discovery in Natural Gas and Electric Markets; Natural Gas Price Formation; Staff Notice of Request for Comments

March 5, 2004.

Staff issues this notice to provide an opportunity for comments on the current state of natural gas and electricity price formation, and whether there has been any increase in confidence in natural gas and electric price indices. These comments will assist Staff in evaluating developments since the issuance by the Commission of the *Policy Statement on Natural Gas and Electric Price Indices*, 104 FERC ¶ 61,121 (2003).

Over the past year the Commission has taken several actions to improve the quality of and confidence in price indices that both reflect and influence the formation of wholesale prices for natural gas and electricity. In Docket No. AD03–7, the Commission's Staff held technical conferences on April 24 and June 24, 2003, issued Staff discussion papers, and held a follow-up workshop on July 2, 2003, to explore the desirability of a "safe harbor" for good faith reporting of prices to price index developers.

The conferences and workshops led the Commission to issue the Policy Statement in Docket No. PL03–3 on July 24, 2003.¹ In the Policy Statement, the Commission explained what it expects of natural gas and electricity price index developers and companies that report transaction data to index developers, and created a rebuttable presumption that companies that report trade data in accordance with the standards of the Policy Statement are doing so in good faith and will not be subject to

¹ See the Policy Statement, ¶¶ 6–32, for a detailed discussion of the role of price indices in energy markets, concerns with price index quality and reliability, industry efforts to improve index quality, and the steps leading to the Commission's issuance of the Policy Statement. Subsequently the Commission also issued an *Order on Clarification of Policy Statement on Natural Gas and Electric Price Indices*, 105 FERC ¶ 61,282 (2003).

administrative penalties for inadvertent errors in reporting.

The Commission further required, prospectively, that price indices used in jurisdictional tariffs meet the criteria set forth in the Policy Statement and reflect adequate liquidity at the referenced index points. The Commission also directed Staff to monitor the level of reporting of transaction data to price index developers and the adherence by market participants and price index developers to the Policy Statement standards.

With respect to prospective use of price indices in tariffs, the Commission issued separate orders on tariff filings where jurisdictional companies had proposed to make changes in indices used in the tariff. The Commission accepted and suspended the tariff sheets, permitting them to become effective subject to further action by the Commission following receipt of a report on the compliance and liquidity issues from the Commission Staff.² The reports are due April 30, 2004.³

Staff has actively monitored industry response to the Policy Statement. In September 2003 Staff sent a survey to 266 companies seeking information on their price reporting practices before and after issuance of the Policy Statement. To address the liquidity requirement of the Policy Statement, Staff held a workshop on liquidity issues on November 4, 2003. To evaluate whether index developers have adopted the Policy Statement standards, Staff solicited statements from price index developers, which statements were filed in January 2004 in Docket No. PL03–3–000.

Meanwhile, on November 17, 2003, the Commission issued two orders adopting behavior rules for market participants. In Docket Nos. EL01–118–000 and -001 the Commission issued its *Order Amending Market-Based Rate Tariffs and Authorizations*, 105 FERC ¶ 61,218, and in Docket No. RM03–10–000 the Commission issued Order No. 644, *Amendment to Blanket Sales Certificates*, 105 FERC ¶ 61,217. Both of these orders adopt a behavior rule requiring that, to the extent holders of market-based rate authority and sellers using blanket certificate sales authority report transactions to entities that

² See "Order Accepting and Suspending Tariff Sheets, Subject to Further Proceedings" in *Transcontinental Gas Pipe Line Company*, 104 FERC ¶ 61,181 (2003); *Northern Natural Gas Company*, 104 FERC ¶ 61,182 (2003); and *Natural Gas Pipeline Company of America*, 104 FERC ¶ 61,190 (2003).

³ See, e.g., *Northern Natural Gas Company, et al., "Notice Deferring Submission of Staff Reports,"* Docket Nos. RP03–533–000, et al., issued January 27, 2004.