



Energy Price Indexing

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Price indices and market coverage have changed

Pros

- More accurate
- Less likely to be manipulated
- Less potential for error

Cons

- Less transparent at many pricing points
- More use of assessments
- Market commentary is light because traders can't talk to trade press

Why the change?

2002 Collapse in confidence

- Revelations in 2002 of index manipulation, reporting of false numbers and wash trading
 - Traders get indicted, sued, investigated, fined
 - FERC, CFTC, certain Attorney Generals and others launch investigations
 - Platts is sued by California
- FERC July 2003 policy statement set criteria for index developers
 - It also created a safe harbor for providers of data
 - FERC surveyed trading groups about their practices
 - Found that 70% of gas companies -- ranging from producers and traders to industrials and LDCs to electric utilities and generators – use gas indices in their pricing
 - 20% of them use power indices in their pricing.
 - At the time the survey was compiled it found that 60% of gas volume is being reported while 39% of power is being reported

FERC May 2004 recommendations

- Index providers must provide more transaction level data
- Must agree to provide commission access to the data
- Found six publishers in substantial compliance: including IHS Energy, Platts, ICE, NGL, and Argus

COMING SOON!

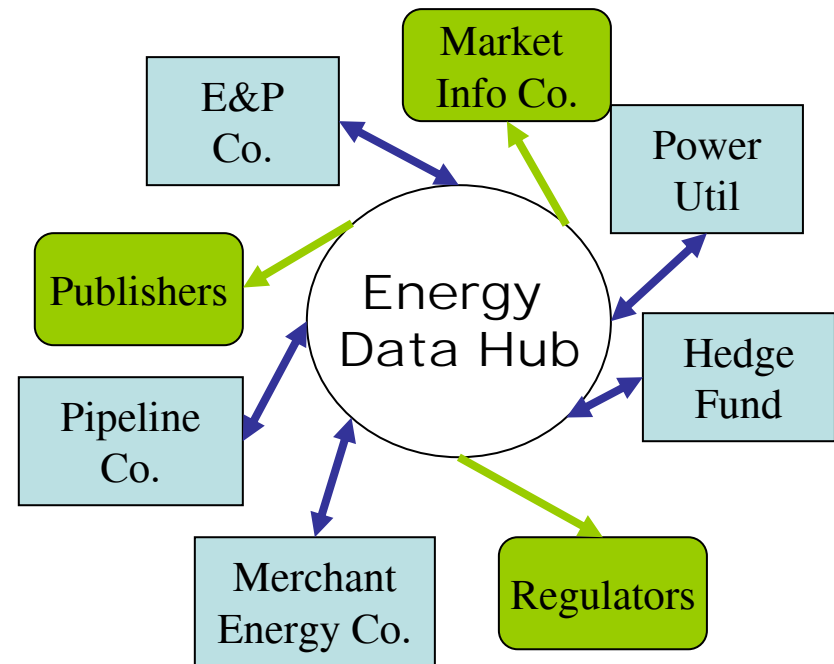
More price transparency



- A neutral, independent “data library”
- a single point to gather, standardize, validate, and render anonymous otherwise confidential data.
- Data transparency & accessibility
- Coverage of gas & power initially, with further expansion expected
- All types of transactions, e.g. spot, forward, physical, and financial
- Rich data re actual transaction specifics
- Maximum data granularity and minimum data exclusion



EnergyDataHub



The EDH difference

What sets it apart

- Established by industry CROs
- Is non-profit
- Dept. of Justice No-action letter
- SAS 70 Compliant
- FERC Safe Harbor
- Developed by HP-- highly secure
- Unprecedented data depth and breadth
- Fully transparent -- transaction-level data available to traders

Status

- Currently collecting 20,000 rows of data each day
- 10 companies aggregate and deliver all trading data to the hub each day
- Expect to go live this fall