



Dodd Frank Reform and what it could mean for Natural Gas Purchasers

GasMart 2011






COMET: Modernizing OTC Energy Trading

- **Electronic negotiation and execution of bilateral OTC transactions**
 - Not an exchange or auction platform
 - Unregulated ECN (CFTC, FERC and Canadian regulators)
- **Manage natural gas, transportation and storage capacity, power and heat rates today**
- **Improve process efficiency**
 - Fully automates transactions
 - Facilitates self-service price discovery while maintaining current relationships
 - Increased market scope / access to more counterparties
 - Stores transaction data for audit and regulatory needs
- **180+ current subscribers including**
 - Banks
 - Commercial Industrial
 - Local Distribution Companies
 - Marketers
 - Producer / Suppliers
 - Municipalities and Utilities

A New Standard for Nonstandard Transactions

- **COMET focused on best practices for OTC energy trading today**
 - Largely physical transactions
 - Most participants and transactions likely exempt from Dodd Frank
- **Capacity to expand to more standardized contracts in financial energy markets**
- **History of active involvement and participation in market structure debate and regulated businesses**
- **Opportunity to create a one-stop-shop for exempt and non exempt transactions**
 - Contingent on final rules

Case Study: Reform of the Listed Equities Markets

1994	1997	1998	2005	Today
<div data-bbox="189 372 394 548">  </div> <ul data-bbox="131 658 421 1001" style="list-style-type: none"> • Little or no competition or technology innovation • Nasdaq quote rigging scandal exposes need for reform 	<div data-bbox="471 325 768 586">  </div> <ul data-bbox="465 668 741 1015" style="list-style-type: none"> • SEC implements Order Handling Rules • ECNs create transparency, connectivity, choice and competition 	<div data-bbox="871 325 1058 554">  </div> <ul data-bbox="807 668 1103 1100" style="list-style-type: none"> • SEC adopts Reg ATS lowering barriers to entry and paving way for new future exchanges like ArcaEx • 4 original ECNs grows to as many as 15 	<div data-bbox="1166 325 1412 554">  </div> <ul data-bbox="1141 668 1431 1058" style="list-style-type: none"> • SEC Regulation NMS encourages automation, best execution routing model and other new innovations introduced by ECNs. 	<div data-bbox="1508 334 1754 596">  </div> <ul data-bbox="1470 668 1746 1015" style="list-style-type: none"> • Markets more transparent • Lower trading cost • Regulations and innovations exported to Europe

1997 ECN = 2011 SEF?

- **Regulation needs to enable competition, dynamism and innovation**
- **Specific rule provisions need not be overly prescriptive**
 - Quotes to no less than 5 market participants
 - 15-second timing delay
 - Sweep of resting bids and offers
 - SEF financial resources
 - Self Regulatory obligations for SEFs
- **Fair and open access to DCOs**
- **Implications for natural gas trading**