UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

S&P Global Commodity Insights Docket No. PL03-3-011

**Comment of Public Citizen, Inc.**

On February 9, S&P Global applied for re-approval that its natural gas price indices meets the standards of the Commission’s revised policy statement.

On November 14, 2022, S&P Global agreed to a $2.5 million settlement with the U.S. Securities and Exchange Commission regarding flagrant conflict of interest violations of S&P’s Global Ratings business. The settlement states that after the group’s analytical team downgraded the rating of a residential mortgage backed security transaction, the issuer threatened to terminate business with S&P Global. In response, the settlement states that S&P’s commercial operations teams, concerned about the probable loss of business and income to S&P Global, pressured the analytical team to improve the rating of the security, which it did.[[1]](#footnote-1) This recent case exposes potential liabilities in S&P Global’s internal controls for its businesses, including its Commodity Insights division.

S&P Global’s Commodity Insights division is a major source of revenue and profit for the company, generating $1.685 billion in revenue and $591 million in profits in 2022 (15% of its revenue and 12% of its profit, respectively).[[2]](#footnote-2)

The majority of the revenues and profits from its Commodity Insights operations come from selling very expensive subscriptions to its price index services. While S&P Global does not publish its subscription prices, an inquiry to their sales team revealed that an annual subscription starts in the five-figure range. Needless to say, it is problematic that the Commission relies upon for-profit price index developers that seek to charge public interest organizations more than $10,000/year just to access basic natural gas price index data.

Fortunately, Congress provides the Commission with a more just and reasonable alternative. 15 USC § 717t–2(a)(4) states that “the Commission **shall** consider the degree of price transparency provided by existing price publishers and providers of trade processing services . . . ***The Commission may establish an electronic information system if it determines that existing price publications are not adequately providing*** ***price discovery or market transparency***” [emphasis added]. Such “an electronic information system” could be based on actual transactions, and not limited to those voluntarily reported, and would be freely available to all interested parties through a platform hosted by the Commission, rather than the proprietary, commodified data model of the index publishers.

Indeed, FERC conceived of the idea of having authority to create its own electronic natural gas price reporting system. In testimony before the House Committee on Energy and Commerce on February 10, 2005, FERC's general counsel Cynthia A. Marlette included in her prepared testimony a section entitled Price Transparency in Natural Gas and Electric Markets, where she declared:

*It would be helpful if the Congress clarified the Commission’s authority to require the development of an electronic price reporting system, and if the Congress gave the Commission the ability to require all electric market participants to participate in such a reporting system . . . and make it publicly available.*[[3]](#footnote-3)

Respectfully submitted,

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1. www.sec.gov/news/press-release/2022-205 [↑](#footnote-ref-1)
2. www.sec.gov/ix?doc=/Archives/edgar/data/64040/000006404023000058/spgi-20221231.htm [↑](#footnote-ref-2)
3. At pages 28-29, www.govinfo.gov/content/pkg/CHRG-109hhrg99906/pdf/CHRG-109hhrg99906.pdf [↑](#footnote-ref-3)