September 2, 2003

The Honorable James E. Newsome
Chairman
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Mr. Chairman:

As the Agency with oversight and responsibility for administering the Commodity Exchange Act, we request the CFTC urgently review the rules governing how the NYMEX natural gas contract is traded and make necessary change to protect consumers. The Industrial Energy Consumers of America (IECA) is deeply concerned that the NYMEX natural gas contract is organized in a manner that unnecessarily increases volatility and potentially increases the concentration of market power in the hands of speculators, which may result in higher costs than what would otherwise occurred. Higher costs impact residential, commercial and industrial consumers.

The membership of IECA is comprised of industrial consumers of natural gas who use it as both fuel and feedstock. To varying degrees, the price of gas can determine whether our member companies will be competitive in domestic and international markets.

The rules governing how the natural gas contract is traded determine its “market characteristics.” We believe the NYMEX natural gas contract creates an environment that attracts speculators who have a primary goal of moving the market to the advantage of the speculative position that they have taken. Recent results indicate such price movements are sometimes uncoupled from and not dependent upon the fundamentals of supply and demand.

One indicator is the NYMEX natural gas contract’s volatility that may be the most volatile commodity contract traded in the world (electricity is excluded because it does not have storage capability). In fact, it has been 45% more volatile than crude over the period of January 1, 2001 to August 19, 2003.

Attached is a letter IECA sent to Mr. Neal Wolkoff, Executive VP of the NYMEX dated August 26, 2003 and a second letter dated September 2, 2003. The letter details our concerns with supportive information. Most importantly, it contains four
recommendations. IECA would like to discuss these recommendations with the CFTC as soon as possible. Please let us know when it would be convenient to do so.

Your urgent attention to this matter is appreciated.

Sincerely,

Paul N. Cicio

The Honorable Thad Cochran
The Honorable Bob Goodlatte
The Honorable Jerry Moran
The Honorable Pete V. Domenici
The Honorable Billy Tauzin
Tom McCool, General Accounting Office
Jim Wells, General Accounting Office