



FERC Denies Petition for Ban on Alleged “Junk and Jewel” Packaging of Natural Gas Pipeline Capacity but Invites Complaints

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On March 11, 2026, the Federal Energy Regulatory Commission (“FERC” or “Commission”) [denied a 2022 petition](#) from groups of natural gas pipeline shippers asking the Commission to issue a rule prohibiting pipelines from aggregating open-season bids on segments of non-contiguous and/or operationally unrelated capacity. FERC also terminated its Notice of Inquiry (“NOI”) on the issue. While the order represents a win for the natural gas pipeline industry, the Commission expressed concern that the so-called “junk and jewel” practice may be unjust and unreasonable, and invites case-specific complaints.

Background

Commission policy provides interstate natural gas pipelines flexibility in setting the terms of auctions for available capacity to ensure that the capacity is sold in a non-discriminatory way to the customers who value it the most. Pipelines typically evaluate bids for capacity using a transparent and objective assessment of the bids’ net present value (“NPV”). The Commission allows pipelines to include multiple segments of capacity, including non-contiguous and/or operationally unrelated segments, together in an open season for the purpose of accepting and aggregating bids to determine the NPV and award the capacity to the highest bidder.

Petitioners, which included the American Gas Association, American Public Gas Association, Process Gas Consumers Group, and Natural Gas Supply Association (collectively, the “Petitioners”), had asserted that, increasingly, pipelines are marketing high-value capacity segments in packages with non-contiguous and/or operationally unrelated capacity that is less valuable. Petitioners asserted that in doing so, pipelines drive up the overall NPV required to obtain capacity, effectively forcing shippers to pay rates higher than the FERC-approved maximum for high-value segments. FERC issued an NOI in response to the Petition, seeking additional information on the practice and its impacts on the market, and whether FERC should reconsider its policy.

FERC Order Denying the Petition

FERC denied the Petition and terminated the NOI, finding insufficient evidence to support a generic ban on the practice of packaging non-contiguous and/or operationally unrelated capacity segments. Instead, the Commission stated that it would evaluate this practice on a case-by-case basis, either in response to complaints or in rate cases.

Although it denied the Petition, FERC dedicated the bulk of its discussion to expressing concern with the so-called “junk and jewel” practice. As an example, the Commission cited the joint packaging of valuable capacity with another segment

that is “consistently in the opposite direction of prevailing gas flows, such as away from market demand centers and towards production basins.” FERC suggested that, especially where the low-value capacity has “no use other than raising the NPV of the packaged capacity,” these arrangements may “undermine [its] policy objectives and frustrate efficient market dynamics.” While FERC declined to act on a generic basis, it stated that complaint proceedings would provide the opportunity to address specific allegations with the benefit of a more detailed record.

Writing separately in concurrence, Commissioner See emphasized her view that the Order was not an endorsement of “junk and jewel” practices and instead reflected only that the NOI proceeding did not establish a pattern sufficient to warrant a generic rulemaking. Where “occurring and substantiated,” she wrote, “‘junk and jewel’ pipeline capacity packaging may well trigger the Commission’s obligation to ensure that pipeline practices remain just, reasonable, and not unduly discriminatory.”

Commissioner See also expressed concern that the practice could preclude certain municipal gas systems and local distribution companies, which often cannot bid for packages that include capacity outside their service needs, from obtaining needed pipeline capacity.

Implications

The denial represents a win for the natural gas pipeline industry but may encourage shippers to challenge this practice more frequently, both in complaints and rate cases. The Commission appeared to welcome complaints on the issue, with Commissioner See stating that “if proven on the record in a specific case, allegations like those in this record could very well require Commission relief.” Accordingly, natural gas pipeline companies should exercise caution in open-season auctions and should consider documenting the operational or market reasons supporting any decisions to package distinct segments of capacity together in single auctions.

For More Information

Van Ness Feldman’s nationally recognized Pipeline & LNG practice has significant experience addressing challenges to pipeline posting and capacity award procedures. If you have questions, please reach out to [Michael Diamond](#), [Michael Pincus](#), [Mona Tandon](#), or any member of our Pipeline & LNG practice at 202-298-1800.

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