

EFET¹ Response to the ERGEG Consultation on Transparency Requirements for Natural Gas

Do the existing legally binding and soon to be legally binding transparency requirements for transmission, LNG and storage satisfy your needs as a market participant?

The Third Energy Package is an important step forward in the provision of information and as such, the transparency requirements must be implemented fully and in consistency with the specified timetable. We remain concerned that the current requirements on TSOs are not sufficient to meet the needs of market participants and may not deliver an appropriate level of market liquidity. In particular, TSOs must provide more detailed and frequent (within day) information on capacity and real-time flow. We recognise that in some cases this may require additional investment – for example in metering – but the substantial benefits that will be delivered to all market participants will significantly outweigh any costs. These benefits include:

- Facilitating more efficient network operation, including better management of network congestion;
- Better understanding and management of security of supply, including the use of backhaul flows;
- Greater liquidity in wholesale traded markets, which would benefit consumers.

As you will be aware, a study² undertaken by the UK Energy Regulator (Ofgem) in 2006 to assess the costs and benefits of providing real-time flow information concluded that the net benefits in Great Britain ranged between £83 and £122 million in NPV terms (with only limited IT costs).

For storage and LNG, the existing legally binding requirements under the Third Package provide a minimum level of transparency. In the areas of both planned maintenance and unplanned outages for storage and LNG facilities, however, we would expect to have a similar disclosure regime as the one we propose for gas production (Q7), because we do not believe they are covered within the Third Package requirements or in the GGPs. EFET has published a joint document³ with Eurogas on harmonisation of LNG services, including provision of information. We are also working on additional specific detailed requirements that could be considered for different purposes (for example, market monitoring/ security of supply/ access to infrastructure).

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 90 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

² "Publication of Near Real Time Data at UK sub-terminals," *Impact Assessment*, February 2006.

³ [EFET – Eurogas joint note on LNG harmonisation](#), 11th December, 2009.

Are you satisfied with the current level of transparency provided for by system operators? In case your answer is no, please specify whether this is due to the lack of transparency requirements or the quality of publication.

As identified above, there remain specific gaps, which need to be filled, in the information that system operators should be providing to the market. In addition, the quality of information that is published will, to a large extent, be determined by the level of detail outlined in the specific requirements.

Our answer above highlights a particular area of concern with regard to the requirement to publish real-time flow information by TSOs. In this respect, it is also crucial that ENTSOG should take the lead in helping TSOs to meet their legally binding requirements from March 2011. Ensuring that a consistent approach is taken towards the definition and publication of information is of utmost importance. We note that ENTSOE has published proposals for consistent information definitions in the power market and ENTSOG should follow suit by publishing draft gas definitions for the TSOs to work with before the end of 2010.

The "Gas Roads" Transparency platform of ENTSOG is a useful tool for providing the static data elements of the Regulation in a consistent centralised manner. It is questionable whether dynamic near real-time flow information would be best provided centrally through this platform or through TSOs' own website. As a minimum, the information should always be published by the TSOs to minimise any potential delays in its provision.

Do the existing GGP for LNG System Operators and GGP for Third Party Access for Storage System Operators satisfy your needs as a market participant?

When reinforced with the mandatory data requirements on LNG and Storage facilities in the Regulation, the requirements of the existing GGPs are broadly satisfactory. EFET has already put forward views on the appropriate access and regulatory arrangements for storage⁴, more specifically in relation to CAM/ CMP. On LNG GGP we will set out our views once we have studied ERGEG's CAM/ CMP study on LNG GGP, but as an initial comment, we would encourage the operators of the terminal facilities to benchmark themselves using the joint note that we have published with Eurogas.

Do you think that those transparency requirements in the GGP LNG and GGP SSO which are not legally binding should become legally binding?

This should be reviewed after the transparency guidelines in the Regulation have taken effect.

One of our current concerns is that some legally binding elements are not sufficiently detailed. For example, under EC/715/2009 (A19) we would expect the terminals to be publishing services offered and conditions, what we believe should be a Terminal Code

⁴ ["Gas Storage in Europe – adding security through flexibility,"](#) 6th July, 2009.

(main commercial terms and conditions). We would like greater clarity to ensure that would include the services that they provide.

For the avoidance of doubt, transparency measures mentioned above should apply to all storage and LNG facilities.

Do you think the voluntary GGP for LNG System Operators and GGP for Third Party Access for Storage System Operators shall include further transparency requirements? In case your answer is yes, please specify what is missing in your view.

Please see our answer to the question above.

Is there an area along the gas value chain (production, transmission, LNG, storage, distribution, wholesale market) where in your view additional transparency requirements are needed? Please specify what you miss in your answer.

As explained above, there are additional requirements that should be considered for both storage and LNG.

However, we believe the primary focus needs to ensure full implementation of the existing requirements for TSOs, including ensuring that true real-time information and more frequent (within day) capacity information is published. Further developments on information provision are helpful, but should not detract from this primary focus.

The view of EFET on gas production transparency is set out below.

EFET set out its view on the need for post-trade reporting of wholesale market transactions in its response to the consultation of the EC on market integrity and transparency⁵. In summary, the envisaged legislation will need to define in an explicit and inclusive way the relevant transaction data and the manner of the publication as such (timing, frequency, etc.) to guarantee clarity and certainty for market participants.

In order to achieve the EU vision of liquid within-day trading hubs, market requirements for data will change over time and there will be new requirements for data provision, for example, to support the intra-day market or the enhancement of secondary capacity trading and the development of market-based balancing.

It may be necessary to consider what information needs to be provided to ensure effective access to gas treatment and conversion facilities.

⁵ [EFET response to DG Energy consultation on market transparency and integrity](#), 23rd July, 2010.

Do you think further transparency is required for the production (upstream) sector? If your answer is yes, please specify what is missing in your view and what specific additional transparency requirements you would want to see. If your answer is no, please specify why.

Effective information transparency is crucial to the development of efficient and integrated markets and key to understanding and managing the security of supply. The appropriate requirements for information disclosure along the gas value chain need to be considered with these overall goals in mind. It is also important that the level of transparency should be balanced against ensuring better utilisation of assets, the need to give investors sufficient incentives to build assets, and protecting contractual agreements that underpin investments. This is particularly important given the extent of investment that will be required over the coming years to continue to meet the energy requirements and objectives of the EU.

Access to fundamental data plays an important role in facilitating competitive and efficient markets. The Third Energy Package is an important step forward that will improve transparency levels, but there is also a need to consider further whether additional binding requirements are necessary. We have outlined our views above in relation to transmission, storage and LNG, but we would like to reiterate here the importance of an appropriate degree of interaction between national transmission systems and upstream production. The provision of relevant information at import points and terminals (or a sub-terminal at which the TSO publishes real-time flow information) should be seen as an important contribution to the overall level of transparency in the gas sector. It is with this in mind that EFET urges ERGEG and the EC to ensure that all TSOs publish true real-time gas flow information at all entry and exit points in each national transmission system.

While improvements in gas production transparency are desirable, the potential issues need to be considered carefully. It is also crucial that the specifics of the gas sector are taken into account in defining any additional requirements. The process and timing for implementation of any proposals will also need to be considered – for example whether a phased process is appropriate. It will also be important to understand how any transparency requirements fit into the EC's proposed market integrity and transparency regime for physical markets (its forthcoming REMIT proposal).

With all this in mind, there are some areas that warrant further consideration by ERGEG, in particular, notification of unplanned outages and planned maintenance information that should be consistently applied across all Member States. A minimum and practicable way forward for the moment would be for TSOs to publish aggregated information on gas production for both unplanned outages and planned maintenance. The unplanned outage information could be in the form of a market message released as soon as reasonably practicable of the outage occurring, stating at terminal level (or a sub-terminal at which TSO publishes real time flow information), there has been a production and/or terminal outage. There will be the need to define the appropriate disclosure threshold. The planned maintenance information could begin with sub-terminal maintenance schedules published on (1st May) for the forthcoming year.

In addition to the issues already identified, a number of other factors need to be considered in developing any further improvements. These include:

- An assessment of the costs and benefits via a regulatory impact assessment;
- The level of disaggregation at which information should be published;
- The processes and responsibilities for disseminating information to the market;
- The frequency, threshold and timing of information provision;
- Restricting the ability of a buyer to renominate on a field where an outage has been declared;
- The need to maintain and enhance effective competition;
- The form of any exemptions including how they could be assessed by regulators.

EFET GAS COMMITTEE

26th NOVEMBER, 2010