

ERGEG Public Consultation on Existing Transparency Requirements for Natural Gas

A EURELECTRIC Response Paper



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► Growth, added-value, efficiency

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► Commitment, innovation, pro-activeness

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► Transparency, ethics, accountability

EURELECTRIC Response to ERGEG Public Consultation on Existing Transparency Requirements for Natural Gas

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INTRODUCTION

EURELECTRIC stresses the importance of information transparency in shaping and boosting the development of functioning, efficient and liquid energy markets. Fundamental data about supply and demand drives price formation and it is crucial for market efficiency and liquidity that such information is made consistently available to all market participants so as to create a level playing field. Furthermore, transparency also improves the level of market integrity and increases consumers' confidence in properly functioning markets (an important factor bearing in mind the recent concerns about financial market integrity).

EURELECTRIC also believes that the more the information available to market players, the greater the understanding of security of supply to them in time of crisis, ultimately allowing market players to help to manage the impacts of supply disruptions.

GENERAL PRINCIPLES

EURELECTRIC welcomes the work undertaken on developing transparency requirements during the last couple of years, especially those applying to transmission networks through the revision of chapter 3 of Annex 1 of Regulation 715/2009.

Generally speaking, EURELECTRIC believes that this set of requirements (coupled with the existing guidelines for good practice or GGP) to be implemented as of 3rd March 2011 is sufficient and should allow market participants to determine, develop and manage their commercial positions. However, EURELECTRIC stresses that market participants need to better understand how these requirements are going to be implemented, i.e. in which way and by when information will be provided to market players. In this regard, we look very much forward to March 2011 and the implementation of the requirements arising from the 3rd Package.

Transmission System Operators, as well as operators of other gas infrastructure, have a clear role in publishing timely, consistent, and comprehensive information in a transparent way. This is absolutely needed if we are to liberalise the European gas market. By way of example, EURELECTRIC expresses appreciation to ENTSOG's "Gas roads" Transparency Platform, which represents a useful tool for providing the static data elements of the Regulation in a consistent manner on a central platform. The question whether the dynamic, near real time flow information would be best provided centrally through this platform or through TSOs own websites still remains, though.

ANSWERS TO THE SPECIFIC QUESTIONS FOR STAKEHOLDERS

- *Do the existing legally binding and soon-to-be legally binding transparency requirements for transmission, LNG and storage satisfy your need as a market participant? In case your answer is no, please specify what is missing in your view and why.*

The soon-to-be legally binding requirements should satisfy requirements of power station operators, provided they are implemented promptly and consistently. Real time flow data and stock level data at relevant points are crucial for understanding market dynamics within the system. However, not all market players can obtain a comprehensive picture as information on gas production and availability upstream of the transmission network is largely unknown to market players other than natural gas producers (please also refer to the answer to questions 6 and 7 below for a more precise explanation on this issue).

- *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 the case due to the lack of transparency requirements or the quality of publication.*

There is no straight answer to this question for two different reasons. On the one hand, current levels of transparency still differ across TSOs, thus preventing market players having an overall picture of the EU systems; on the other hand, stakeholders need to better understand how the situation will change in March 2011 with the entry into force of the 3rd Package provisions. A raft of information will be published from March next year onwards, and we need to thoroughly assess how the effectiveness of this before proposing new detailed requirements.

As already stated above, EURELECTRIC appreciates the launch of the ENTSOG Transparency Platform as a tool to facilitate access to transmission networks by making all the information available in an organised and structured way on a common, single website.

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

Yes if those are coupled with the 3rd Package mandatory data requirements on LNG and storage facilities. However, provision of information about tariff methodologies, allocation rules, and pre-emptive rights in storage facilities for example is of little benefit if national regulations do not allow power station operators to book existing capacity. EURELECTRIC therefore believes that SSOs and LNG Operators should disclose such information.

- *Do you think that those requirements in the GGP LNG and GGP SSO which are not covered by the 3rd Package should become legally binding?*

- *Do you think that 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.*

Although in principle EURELECTRIC would welcome the transparency requirements in the GGP LNG and GGP SSO to be made legally binding, we would prefer to take a more cautious approach and review this need after the transparency guidelines in the Regulation have taken effect. Furthermore, we doubt this could be done without a new comitology procedure that also takes into account production requirements (please also refer to the following section for a more thorough explanation of this issue).

- *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.*
- *Do you think that 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 explain why.*

EURELECTRIC's position on fundamental data transparency in the power market is generally for immediate disclosure of power plants unplanned outages at unit level if such outages are above a materiality threshold (100 MW) and expected to last longer than 1 hour¹.

Whilst implementing identical arrangements in gas may not be appropriate due to the different features of the gas market compared to the power market, we believe that the principle of timely disclosure of material unplanned outages at specific gas fields should equally apply. Information should also be made available on planned maintenance at gas fields and upstream infrastructure/pipelines in a timely and consistent manner, similar to arrangements that apply in a number of electricity markets (e.g. Nordpool, UK).

¹ For a more detailed review of EURELECTRIC position, please see EURELECTRIC response to ***“EREGG Draft Comitology Guidelines on Fundamental Electricity Data Transparency”***, published on ERGEG website. It is worth remembering here that the information to be disclosed in case of unplanned outages should be provided on a “best effort” basis and companies should not be held liable if such information proves later to be incorrect, provided they have updated it as soon as possible (unless it is demonstrated that the incorrect information was disclosed on purpose).

EURELECTRIC understands that gas producers are not keen to disclose information for each specific gas field because this might influence the formation of prices and making them a distressed buyer. However, it recalls that transparency requirements on the electricity side apply without any prejudice to competition, and they prove to properly work in the markets mentioned above. Hence, EURELECTRIC would appreciate a similar approach for the gas markets as we believe it will enhance the development of liberalised markets. In conclusion, we highlight that market parties should not be able to trade (either speculatively or to make up their supply loss) whilst in the possession of material outage information (whether planned or unplanned) which the market has not been made aware of. Whilst this may increase volatility and expose producers to the possibility of other market participants front running them when outages occur we expect that over time markets will learn to react to this added level of transparency in a mature and responsible way.

Power generators will be similarly exposed to the same risks but have accepted that the wider benefits of greater liquidity and competition resulting from this added transparency will more than offset any increased risks from unplanned outage events, which whilst occurring from time to time are generally infrequent events.



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