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Existing transparency requirements for natural gas – Public Consultation

Dear Fay,

RWE Supply and Trading welcomes the opportunity to comment on the above consultation.

The availability of transparent, reliable information on the fundamentals of gas demand and supply is a key requirement for the development of an efficient, competitive and liquid gas market. Transparency has a key role to play in the development of integrated gas markets and in strengthening security of supply, both of which are key EU objectives. It also helps to improve the level of market integrity and consumer confidence in markets.

As a strong and consistent advocate of transparency in traded energy markets, RWEST welcomes the imminent introduction (in March 2011) of new legally binding information requirements concerning gas transmission networks, storage and LNG facilities, as laid out in Gas Regulation 715/2009. Such information broadly reflects the level of transparency currently prevailing in the GB gas market and a high level of transparency is undoubtedly one of the key factors in explaining why the GB market is by far the most liquid and competitive gas market in Europe.

Such information should be provided in a timely and consistent manner and allow market participants to easily capture it and upload it into their own systems. ERGEG, ACER and ENTSOG have crucial roles to play over the coming year in ensuring that this marked improvement in transparency delivers real benefits, by ensuring market participants can easily use such data to better inform their decisions throughout the EU.

The successful implementation of Gas Regulation 715/2009, however, should not represent the end point for improvements in gas market transparency. In the electricity market we have long argued in favour of information on real-time availability and immediate disclosure of material unplanned outages being declared to the market at unit level. We welcome the fact that a consensus appears now to have developed at EU level for making this legally binding, by adopting this position through comitology, and hope that regulators will now apply similar principles

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THE ENERGY TO LEAD

on the disclosure of production information in EU gas markets. Upstream information on production infrastructure and pipelines relating to actual production, field capability, unplanned outages and planned maintenance remains largely opaque to downstream gas market participants. Greater transparency in these areas would bring significant improvements to market participants' understanding of supply fundamentals and, as a consequence, improved market liquidity.

Regulators will need to account for the different characteristics of gas and power production and transportation and differing regulatory/legislative regimes for the upstream and downstream market sector in deciding how to define production capability, the materiality of outages and in defining the timing and release of upstream information.

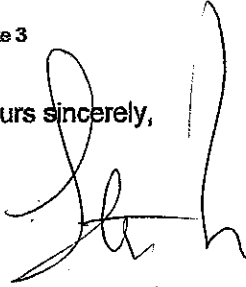
Concern has also been expressed about increases in price volatility from unnecessary speculation based on the release of production outage and availability information to the market. On the flip side, it's also clear that unnecessary price volatility already exists as a result of unclear and inconsistent disclosure of upstream outage and maintenance information. Trading is regularly taking place based on rumours of outages and maintenance which may, or may not, subsequently be confirmed. A clearly defined process and mechanism for disclosing such information will reduce volatility, not increase it, as all market participants will know when outages have occurred (or not as the case may be) and when maintenance is scheduled to take place, and so can efficiently optimise their positions accordingly. Our long experience in observing and transacting in markets shows that increased confidence in the integrity of markets increases their liquidity. Increased liquidity again reduces volatility. Therefore we believe that the wider benefits of greater liquidity and competition which stem from greater upstream transparency will more than offset any adverse effects of increased volatility, and that over time all market participants will learn to assimilate this information in a mature and responsible way.

To better illustrate the haphazard nature of upstream information disclosure currently facing market participants, and the uncertainty and price volatility this is already causing in the GB gas market, we have included six month's worth of selected quotes from the GB gas market commentaries of ICIS Heren's European Spot Gas Markets in Appendix 2 below. Had we looked at the market commentaries of other EU gas markets we would no doubt have seen a similar picture, and the longer such uncertainty about the underlying supply fundamentals exists, the harder it will be for efficient arbitrage between interconnected EU gas markets to occur.

Our response to the detailed questions raised in the consultation is included in Appendix 1 below. If you wish to discuss our response in more detail please do not hesitate to contact us.

Seite 3

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Rose', written in a cursive style.

Steve Rose
Head of Gas Market Design

A handwritten signature in black ink, appearing to be 'R. Presse', written in a cursive style.

Ralf Presse
Head of Gas Regulation

Appendix 1

- 1) *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? In case your answer is no, please specify what is missing in your view and why.*

No. The transparency requirements contained within Regulation 715/2009 should provide market participants with greater visibility of gas, storage and LNG flows within, and between, EU transmission systems, provided they are implemented in a consistent and timely manner. To this extent ENTSOG should publish guidelines explaining how TSOs should interpret the transmission information requirements in the Regulation, so that these can be applied in a consistent manner throughout the EU.

Post trade reporting of gas wholesale market transactions, as envisaged under the Regulation of Energy Market Integrity and Transparency (REMIT), will also be essential in future to provide regulators and market participants with greater clarity of trading activity.

As stated below we think greater transparency is required in relation to upstream gas production and transportation to improve market participants' understanding of the supply fundamentals driving prices. Such information, along with information on gas production capacities, should also to be made available to regulators under REMIT, in order to allow them to properly supervise trading activity and ensure market integrity.

- 2) *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.*

ENTSOG's "gas roads" transparency platform has proved a useful tool for accessing the standing data and capacity information that TSOs are currently required to publish, although the incompleteness of this data reduces its effectiveness. We therefore expect further improvements to this platform so that it can play an even more useful role in providing an effective central repository for the new standing data that TSOs will be required to publish under the Regulation.

Under the new Regulation, TSOs will also be required to publish near real time actual physical flow data at all relevant entry/exit points. It is vitally important that such information is made available in a format whereby market participants can easily upload it into their own IT systems using, for example, push and/or pull APIs. This will enable them to rapidly analyse and interrogate flow information to gain a more complete understanding of market dynamics and price formation.

It is questionable whether "gas roads" is an appropriate platform for recording such near real time data and we think such data would be better and more

quickly provided in an uploadable format directly through individual TSOs websites.

- 3) *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?*

In general, **yes**, when combined with the mandatory requirements for information transparency at storage and LNG facilities included in the Regulation. We would however expect a similar level of disclosure of information at storage and LNG facilities as we are proposing in relation to upstream gas production and transportation (see our answer to Question 7 below).

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

We do not think there is a strong case at present for making the transparency requirements included in the guidelines for good practice for storage and LNG facilities legally binding. This information is largely being provided already and is a prerequisite for these facilities offering their services commercially, so it is not in their interest to withhold it. However, this should be reviewed again following implementation of the transparency requirements contained in the Regulation.

- 5) *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.*

No

- 6) *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.*

Additional transparency is required in the production area of the gas value chain as regards outage, maintenance and availability information relating to upstream gas production and transportation facilities.

Disclosure of upstream outage and maintenance data should also be replicated at storage and LNG facilities in a consistent manner.

- 7) *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.*

Yes.

Information regarding unplanned outages, planned maintenance and availability at gas fields, production infrastructure and pipelines should be consistently applied across all EU Member States, to provide all market participants with a common, up-to-date and accurate picture of the market supply fundamentals. This, when combined with the transparency requirements contained in the Regulation, will ensure that all market participants have a common view on fundamental supply and demand information affecting price formation which will foster greater gas market efficiency, competitiveness and liquidity. It will also help foster greater trust from legislators, regulators and EU gas consumers in the integrity of EU traded gas markets.

Regulators should adopt a similar disclosure regime in gas to that which they are proposing in electricity markets for power generators. Under such a regime unplanned outages affecting specific upstream gas fields, production facilities and pipelines supplying each EU market area would be required to be disclosed to that market within a specified time (e.g. 1 hour) in the event they exceeded a materiality threshold (e.g. 2% of peak 1 in 20 demand for that market area over the course of the gas day), along with a best available projection of how long the outage is expected to last (which would be updated in a timely manner as long as the outage continued).

Information on planned maintenance at these same facilities should be provided and published annually for the forthcoming year at a certain point in time (e.g. 1st April), if they exceed the aforementioned materiality threshold. Best available information on the expected extent of flow reductions and the dates/length of the maintenance period would be provided, and then be updated on a rolling monthly basis throughout the year. In the event better information became available within month this should be provided and published intra month.

Further discussion will be required on the process and responsibilities for disseminating this information to the market, and whether any exemptions or checks and balances are appropriate bearing in mind the differences that exist between power and gas markets. We would welcome an early discussion of these issues amongst regulators and market participants and hope that actions can be taken to improve upstream gas transparency quickly, and in timeframes consistent with introduction of REMIT.

Appendix 2

Wed - 3/3/10

The big excitement in trading on Wednesday was a turndown in flows from both the St Fergus Mobil and Shell sub-terminals at 11:30 London time.....Both Shell and Exxon Mobil, operators of the two sub-terminals, refused to comment on their operational flows.

"The market didn't really respond as much as you would have expected. If it's a problem at the terminal then they'll sort it out quicker than if it's a problem with a pipeline in the sea" one trader said. Traders said that producers had not been seen buying up near contracts, leading one to say that the problem "should be fixed quite soon."

Rumours in the market suggested a problem with the Britannia field, but sources were in agreement that the sub-terminals combined, reduced by more than the field's output level. Once source deduced that it was most likely a problem with separating liquids from gas "as it affected both sub-terminals" he said.

Wed - 10/3/10

NBP bulls received a major fillip on Wednesday as outages at various infrastructure caused distressed buying on the prompt.....

A spokesman for Bacton BBL confirmed that the outage on the pipeline would last for three hours from 16:00 London time, and that during this period no gas would flow. "There was something wrong with the heaters at Bacton. It normally can be fixed in this time frame" she said.

Separately, a spokesman for Shell said at around 16:15 London time that the Ormen Lange's power grid was back up and running and that the company had the all clear to flow gas from the field again. "It can take some time to completely resume flows" he said, and this coincided with a drop in Easington-bound Langeled flows, which fell from a rate of around 65Mm³ intra-day to a rate of slightly over 30Mm³ late in the afternoon.

This drop in Langeled flows was a key factor behind the late push on within-day. The contract had been firm throughout the session, partly because of progressive nomination deletions on BBL, and pitched up to 36p/th early in the afternoon, having opened at 34p/th. But news about Langeled broke after 14:00 London time, and the prompt firmed up substantially. Within-day was quoted at 41.5p/th at the close, but moved up to trade at an intra-day high of 42.5p/th.

"There was plenty of activity with people front running the market and plenty more trying to get out of short positions" said a trader.

Thur - 11/3/2010

The NBP came under the influence of bulls again during sporadic patches of trade on Thursday, as uncertainty over the precise nature of the Ormen Lange outage and how long it might take to restore full nominations to Langedel underpinned the front end through the start of the session.....

The ongoing Ormen Lange issues caused some nerviness in the market, but Shell confirmed to ICIS Heren that, after a glitch while returning to operations, the huge field was now ready to deliver gas again.

Mon - 15/3/10

The sunshine came to the UK on Monday, but prompt prices rallied despite a drop in demand as concerns over Norwegian flows again took centre stage.....

Demand stood at 340Mm³, much closer to seasonal normal than in recent weeks. The system looked comfortable until National Grid's 11:00 update when predicted closing linepack moved 15Mm³ short. This coincided with Langedel deliveries falling from a rate of around 65Mm³/day to 45Mm³/day, in a similar pattern to the weekend. Some traders speculated that issues were hampering Ormen Lange flows, as had been the case last week, but this was not confirmed.

Wed - 24/3/10

Against this backdrop, entry flows were far from stable according to the National Grid website. Flows from the Bacton SEAL terminal, fed by Total's Elgin-Franklin fields were erratic from Tuesday afternoon. Deliveries fell from 17Mm³ to 7Mm³ overnight. During the traded session on Wednesday, flows picked up slightly.

Total confirmed to ICIS Heren that there was a minor technical problem on the Elgin platform on Tuesday, which affected flows into the Bacton sub-terminal. The spokesman said that the problem was resolved and that "normal production resumed this morning". Flows from Bacton SEAL stepped up across the day.

A second hiccup affecting system entry flows came on the BBL pipeline from the Netherlands. Flows appeared to drop from 34Mm³ to 17Mm³ just after mid-day London time. However, a spokesperson from Gasunie, a major stakeholder in the pipeline, said there had been a mistake on the National Grid website.

"There's just a minor measurement problem at Bacton as a result of which the values shown on the website seem to be lower, but in reality they are not" the spokeswoman told ICIS Heren.

Tue - 30/3/10

"Flow rates aren't matching linepack levels; one of them has to change. I suspect that Langedel will drop down given the issues there" one source said mid afternoon prior to any visible flow reductions on the National Grid website. The participant would not elucidate on problems on the pipeline or at any other points

along the supply line. Langeled was delivering at a rate of 70Mm³/day overnight on Monday, but at the start of the traded session, deliveries looked less stable, and dropped off mid afternoon London time.

Flows were delivering a steady rate of 50Mm³ by late afternoon. After the close two other traders reiterated that there was a problem at Langeled, but flows from Norway appeared to have stabilised. Norwegian pipeline operator Gassco was unavailable for comment on the flows. Statoil would not comment on the flows on the Langeled pipeline.

Wed - 31/3/10

Flows into St Fergus TOM, which is fed by the Vesterled pipeline, also from Norway, were delivering at a rate of 40Mm³/day on Tuesday but on Wednesday morning moved up to 55Mm³/day, before dropping off to 50Mm³/day early afternoon.

Market participants said there was a problem at the Kollsnes processing plant, which may have caused the reduction in flows from Langeled.

Plant operator Gassco was unavailable to confirm whether there was a problem.

The plant can handle up to 143Mm³/day. Gas from the plant is piped through Statpipe, Zeepipe, Europipe I and Franpipe to France, Netherlands, Belgium and Germany. Gas processed at Kollsnes also goes into the UK from the Sleipner riser at the end of the Langeled pipeline.

The change in delivery rates at St Fergus TOM aroused trader suspicion that the issue at the plant had not been rectified, suggesting that the afternoon decrease could have been required to maintain steady flows at Langeled.

While one source was of the opinion that the issue was ongoing, another said the problems at the processing plant "can be a red herring" as the impact of deliveries from the plant depend on whether the plant's capacity is being fully utilised, which in turn heavily depends on production at the Troll field.

Thur 1/4/10

The large fall in flows led some to speculate that some maintenance was taking place on the Kollsnes plant. This theory was supported by some, but others said that the lower flows were due to commercial decisions being made by Norwegian players. Norwegian system operator Gassco was unavailable for comment.

Wed 7/4/10

The fall in flows through the Langeled pipeline came as the Kollsnes processing plant in the Norwegian Sea came off line following a "minor leak", which was discovered in one of the condensate processing plants. Gassco, which operates the facility, said that the plant is expected to come back on line on Wednesday afternoon, but did not say at what capacity.

Thur 8/4/10

Within-day was trading higher, buoyed by the supply problems on Thursday..... The system was 24 Mm³ short at the start of the session, as flows from Theddlethorpe turned down. Some traders said that flows from the terminal had fallen off due to unplanned maintenance, although this was not confirmed at source.....flows through the St Fergus TOM terminal, which delivers Norwegian gas along with gas from the UK Continental Shelf, slipped from 30 Mm³ to flow 18 Mm³ over the course of the gas day. This caused some to speculate that there could be a problem upstream elsewhere in Norway”

Mon 12/4/10

The bullishness was once again attributed to heavy buying on the continent, where a shortage of Norwegian flows on the back of a reported outage at the Karsto processing plant had pushed up prompt prices. The plant was expected to resume to normal levels this evening. Flows into Emden, which is the where both the Dutch and German market pick up Norwegian flows, had reduced significantly, traders reported. The outage, which was not confirmed at the source, added to the thin supply in Germany, where maintenance on a key nuclear plant had led to a switch to gas for power burn, traders said.

Wed 21/4/10

Major Norwegian producer Statoil said on Wednesday that it will perform turn-arounds on 13 of its oil and gas fields this year. Most of the maintenance will take place in August and September, the group said, but did not give specific details of the longevity or extent of the work.

Mon 26/4/10

In part the price spike was caused by a technical problem late of Friday evening at Total's Elgin-Franklin field which delivers gas into the Bacton SEAL sub-terminal. On Friday flows from the terminal were at 21 Mm³, yet on Saturday they had dropped to 10 Mm³, as the field's production fell to zero. On Monday morning, Total told ICIS Heren that it had fixed the issue at the field. Gas from the field is expected to take around 24 hours to appear in the system, and should be visible in entry flow data by Tuesday morning, Total said. Traders were sceptical that volumes would return quite as quickly as the company stated.

Tue 27/4/10

The short squeeze was aggravated by system shortage, in part caused by the continued outage of the Elgin-Franklin field. The field, which was not operational over the weekend because of a technical issue, failed to supply gas into the system as expected on Tuesday. A spokesman from the field's operator, Total, told ICIS Heren on Tuesday afternoon that the technical problem at the field had been fixed by Monday morning, yet the company was struggling to get gas back on

stream. "We hope to get gas flowing as soon as possible", the spokesman said, "but we can't say when this will happen".

Tue 18/5/10

A sharp jump in trading mid-afternoon however, sent the contract skywardthe leap was driven by a sudden system shortage....system length was thought to have been lost due to a change in nominations from Norway..... Early Tuesday afternoon, Gassco said of the platform: "If everything works out, it will most probably be back up and running during the day today". However the change in linepack mid-afternoon indicated that expected volumes via the Heimdal riser would not come on stream. The increase Within-day filtered across the curve.

Wed 19/5/10

There was much speculation over Langeled's proposed maintenance next week, with market reports suggesting that the flows would drop to zero from 26 May for nine days. Traders were sceptical over the extent and length of shutdown, although most agreed that there would be some maintenance to the pipeline next week.

Thur 20/5/10

The day's trading was overshadowed by a leak at Norwegian gas processing plant Kollsnes at 15:30 London time. Initial reports said that Norwegian police were evacuating the facility of all staff for safety reasons, but this transpired to be unfounded. The alarm sent shock waves across the prompt.... The Kollsnes panic on the prompt filtered as far out as the front season, traders said.

Tue 25/5/10

Dutch major Shell has confirmed that the Ormen Lange field – the largest on the Norwegian Continental Shelf – will be running at reduced capacity from Wednesday, when it will undergo planned maintenance. A spokesman at the company was unable to say how long the maintenance would last, or what the flow rate would be while it was undergoing the work.

Wed 9/6/10

But the anticipated round of profit-taking failed to take hold, as news filtered through of an unscheduled outage at the Elgin gas field, which feeds into the Bacton sub terminal via the SEAL pipeline. Any hint of bearishness was nipped in the bud, and buying interest returned to the prompt.....The outage lifted Within-day from its intra-day low of 41.90p/th at 08:00 to 43.00p/th, where the contract traded flat for over an hour. "The market was lifted on the back of Elgin, but unless an outage is confirmed as a major problem – which this one wasn't –then that can send the market back" one trader commented.

Thur 1/7/10

Delivery rates from Barrow South, which is fed by the Morecambe swing fields, dropped to zero at the start of the session, having flowed at a rate of 8Mn³/day overnight. A spokesman from Centrica said the Morecambe fields were out for planned maintenance for a "short period", which he interpreted as "a few days to a week".

Fri 9/7/10

Several traders said the Vesterled pipe, which connects Norway with the St Fergus Total terminal, would go down for maintenance for around three weeks from 1 August. Norwegian offshore pipeline operator Gassco was not available for comment by press time.

Thur 15/7/10

Following Wednesday's media reports that Kollsnes would be closed for maintenance for two weeks from 12 September, Norwegian pipeline operator Gassco, said it would not comment on future planned maintenance at Kollsnes "or elsewhere in Norway's integrated gas transportation system"

Fri 30/7/10

Activity on Friday was guided by one principle question: will there be enough supply to satisfy demand, come Monday. Key UKCS complexes are being taken off line in the first week of August. BP's Unity Riser is expected to be out of action for anything up to five days, and Elgin Franklin is reportedly going to be off line for the majority of the month. As well as this, some uncertainty overhangs on the Norwegian supply source. It has been public knowledge for some time that there will be less Norwegian flow at the end of August, due to maintenance on the Karsto plant, but reports of heavy front month buying by Norwegian producers led some to speculate that flows could well be lower in the first half of the month.

Tue 3/8/10

The lunchtime spike on Within-day was assisted when flows into the Bacton Shell sub terminal and also into Bacton BBL both dropped by a rate of around 5Mm³/day around mid-day London time. Neither Shell nor the BBL Company was available for comment. Traders suspected there was an issue at the terminal, as the two sub terminals' flows fell off in tandem.

Fri 6/8/10

Total confirmed there was an unforeseen power outage early on at Alwyn North platform. As a result, production ceased Total said. The company added: "The situation offshore is currently being investigated" but would not provide information on when the platform would be operational....There were unconfirmed reports that BP's Unity riser platform, fed by the Bruce and Britannia field, had restarted. However, the company refused to comment on operational flows.

Tue 31/8/10

"Supply was poor today from beach sources, it looks like Armada is off for a few days, it's a classic maintenance day, we saw around 140Mn³ from beach supply last week, today it was only around 110Mn³ with Norway down too" said one trader. The Langed pipeline was flowing around 9Mn³/day having fallen from over 20Mn³/day on Monday afternoon. Gassco said there was no technical issues affecting supply. Deliveries from Teesside BP, where Armada complex beaches, dipped around 5Mn³ on Monday but there was no confirmation of unplanned issues.