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26 November 2010	(050) 364 87 93
Our reference	Your reference
j 10.015	
Subject	
Existing transparency requirements for natural gas	

VRIJ TOEGANKELIJK

Dear Sir, Madam ,

We would like to thank ERGEG for the opportunity to present our views on the important subject of transparency in the gas markets.

We agree that a level of transparency regarding all activities within the gas value chain is necessary for a well functioning gas market. As a general observation, we would like to emphasize that greater levels of transparency are necessary regarding the natural monopoly part of the business (transmission), while the requirements should be less strict in case of production, storage and LNG (these are no natural monopolies). This approach is also reflected in existing transparency requirements, whose scope has been significantly broadened by the Third Package. But what is still missing and what further steps should be taken in order to increase transparency in the gas markets?

As indicated in ERGEG's summary of existing transparency requirements, significant transparency requirements are introduced by the **Third Package**, especially the Gas Regulation (EC) 715/2009), including the new chapter 3 of Annex 1 of this Regulation. These requirements will be binding as of 3 March 2011 and some TSO's have already taken steps in order to comply with these requirements. The legal provisions are there and we think it is of significant importance that these provisions are implemented by the TSO's in a prompt and meaningful way. This will create an unprecedented level of transparency in the gas markets, especially on the transmission level. The information provided will include not only information regarding the services and available transport capacities, but also real time and historic information regarding the balance of demand and supply on the network.

One area in which transparency can be further improved is **(anonymous) transaction reporting of deals in standard gas products** (similar to the products traded on exchanges, but where the same products are traded via brokers or bilaterally). At this point information regarding such products is available to the subscribers to the brokers' services, but this information is incomplete (as the bilateral deals are not reported) and fragmented between the different brokers. The information regarding the level of trading and the price level is therefore

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not completely representative of the market. Price reporting services (such as the services of Heren and Argus) fill in this gap to some extent, but we think that transaction reporting of all standard gas deals will further increase the reliability of price information. The deals should be of course published on an anonymous basis and the reporting should be done in a fairly simple manner, not putting an undue burden on market participants.


In terms of the existing binding and non-binding transparency requirement regarding **storage and LNG**, we think these strike a good balance between transparency and preserving the confidentiality of commercially sensitive information. Such a balance is necessary because of the already mentioned fact that storage and LNG are no natural monopoly activities and investment in storage and LNG should not be discouraged by providing too onerous transparency or other requirements on storage and LNG operators. We are satisfied with the existing transparency requirements in terms of storage and LNG and don't think that further transparency is required at this point.

Regarding the transparency for the **production (upstream) sector**, we would like to emphasize that production is a commercial activity, which unlike transmission belongs to the unregulated part of the natural gas business. The production information is therefore commercially sensitive and there are good arguments for keeping this information confidential. Disclosing such information may discourage investment, as it might decrease the value of the assets (as mentioned in the previous paragraph, the same goes for storage and LNG facilities). These arguments should be weighed against the required transparency for a well functioning gas market. We expect that the requirements introduced by the Third package, especially the real time information regarding the flows going in and out of the system provide the required transparency for gas market participants. We don't think flow information or information regarding outages should be disclosed at the level of the individual production facility. Aggregated information regarding the balance of the ingoing and outgoing flows (and so of the current supply and demand balance) is sufficient for parties active on the market place. Planned and unplanned outages could be disclosed on an anonymous basis. Dealing with inside information is subject of the upcoming REMIT legislation.

To sum up, we regard the existing level of transparency requirements sufficient, but it is important that TSO's provide the mandated transparency in practice and do so in a meaningful manner. Transparency of transactions in standard products could be improved.

Should you have any questions regarding our position, please feel free to contact Zornica Zafirova at zornica.zafirova@gasterra.nl or + 31 50 364 87 93.

Yours faithfully,



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