

**Existing transparency requirements for natural gas
An ERGEG Public Consultation Paper**

**POWEO's Contribution
26 November 2010**

Note on unit standardisation

As a pre-requirement to publishing information, POWEO believes that standard units should be defined at the European level to ensure consistent data from one system operator to another. For instance, as the market trades on energy, available capacity should be expressed in energy (kWh/h or kWh/day at 25°C depending on the balancing timeframe) and not in volume (cubic meters). This issue of unit standardisation is in principle covered through the Framework Guidelines on each topic (CAM, CMP, Balancing etc.), but it is useful to remind it here.

Note on existing information

Current information published by system operators varies widely from one company to another. As a starting point, it is worth noting that National Grid is way ahead of the rest of other European system operators. It would therefore be useful to list all information published by National Grid as this could serve to define minimal requirement for all system operators.

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.

POWEO believes that the list of information seems to be exhaustive, however some details such as “relevant points” and “timeframe” should be specified.

“The relevant points shall be approved by the competent authorities after consultation with network users.”

This is acceptable, however it is very important that the ERGEG specifies certain rules as to which points shall be included. This is partly done further down in the document:

“Relevant points shall include at least:

- (a) all entry and exit points to and from a transmission network, with the exception of exit points connected to a single final customer, and with the exception of entry points linked directly to a production facility of a single producer that is located within the EU;*
- (b) all entry and exit points connecting balancing zones of TSOs;*
- (c) all points connecting the network of a TSO with an LNG terminal, physical gas hubs, storage and production facilities, unless these production facilities are exempted under a);*
- (d) all points connecting the network of a given TSO to infrastructure necessary for providing ancillary services.”*

These are good guidelines. Given the importance of the Russian gas supply in Europe, POWEO would expect available data for all entry points on the eastern German border, such as Mallnow, Lasow and Uberacken, which are currently missing on the Open Grid Europe website. We believe that these missing points are included in the definition of relevant points and that data will then be available as soon as possible.

However we also believe that the definition is still not sufficient. For instance, interconnection points between transmission system and distribution system shall be explicitly included.

“For the services provided information on technical, contracted and available capacities on a numerical basis. Timeframe regular and rolling basis.”

In order to harmonize information provided by European operators, requirements should become more specific. In the particular case of capacities, network users should be notified on a defined basis: asking for a regular and rolling basis is not enough, the requirements should state the timeframe and way of publishing such information

For instance, in France, GRTgaz is updating everyday the revised maintenance scheduled on its network for the following days and an information is sent by email to shippers in case of any changes after the daily website update whereas, in Belgium, Fluxys is publishing once a year the scheduled maintenance in a PDF document.

It results not only in a real operational threat for suppliers contracting on the different European networks, but also on strong asymmetrical information which is not desirable in an integrated European gas market.

“Where points between two or more TSOs are managed solely by the TSOs concerned, with no contractual or operational involvement of system users whatsoever, or where points connect a transmission system to a distribution system and there is no contractual congestion at these points, TSOs shall be exempted for these points from the obligation to publish the requirements under paragraph 3.3 of this Annex.”

POWEO does not agree with that statement. By defining this exemption, the ERGEG seems to be only concerned by operational consequences implied by transparency matters. Operational aspects are important but transparency is not all about it. It is also important for market analysis, which requires exhaustive data. Publication of all data from operators must be required, at least at an aggregated level where operators are worried about protecting confidential/competitive information.

In particular, actual physical flows (at least) should be published where points connect a transmission system to a distribution system.

“Disclosure of information in a meaningful, quantifiably clear and easily accessible manner and on a non-discriminatory basis.”

“Form of publication:

- *In a user-friendly manner*
- *In downloadable format that allows for quantitative analysis*
- *In constant units (kWh for energy, m³ for volume).”*

It would be useful to specify more clearly the meaning of “a meaningful, quantifiably clear and easily accessible manner”, or at least provide an example of what that could be. We understand it as a user-friendly manner in a downloadable format that can be easily processed. POWEO believes that only two formats allow this: .XML or .CSV formats. Moreover, regarding the form of publication, a website is useful to get an access to all available data, but downloading from a website is not adequate. Transmission through File Transfer Protocol is more suitable.

Constant unit should go beyond: as per the Framework Guidelines that are currently being designed, it is of utmost important to standardized units across Europe. Therefore the form of publication shall be more prescriptive. POWEO believes that all data shall be published in energy only and kWh/h or kWh/day at 25°C depending on the balancing timeframe. Volume is a physical unit that system operators need but which is of no relevance to shippers as only energy is being bought/sold/transported/stored

These are crucial details that currently prevent actors all along the supply chain from accessing transparency. As an illustration, we can point at:

- o The PDF format used to publish maintenance data on the Fluxys network,
- o Even on the Gas Storage Europe Website, daily data are published in an unfriendly manner (i.e. cannot be easily downloaded and processed)
- o Despite the hourly balancing on the Belgium network, free data are accessible only on a daily basis. Fluxys is even charging for its real time service (24 000€/year/point!).

The ERGEG should encourage operators to move towards what National Grid is doing in the UK about transparency: free real time data. Even if we are aware of the technical barriers operators might face to reach that transparency level, we remain convinced that only legally binding requirements can lead to that result.

“Information as listed in paragraphs (a) to (g), for all services and ancillary services provided. This information shall be published on a numerical basis, in hourly or daily periods, equal to the smallest reference period for capacity booking and (re-) nomination and the smallest settlement period for which imbalance charges are calculated. If the smallest reference period is different from a daily period, information as listed in (a) to (g) shall be made available for the daily period. This information and updates shall be published as soon as available to the TSO.”

This requirement does solve a couple of issues previously mentioned, especially the frequency of publication. It has to be the smallest reference period for capacity booking and (re-) nomination and the smallest settlement period for which imbalance charges are calculated.

Ideally, transparency should move towards the National Grid level, where actual physical flows are published in real time, at all entry points.

On top of that, the breakdown of available data should be as clear as possible with the following categories:

- o Production,
- o Imports/Exports,
- o Storage,
- o Consumption.

So that everyone can build the equation: $\text{Production} + \text{Imports} = \text{Exports} + \text{Consumption} +/\text{-Storage}$. As an example, it is not clear on the Gas Transport Services (Netherlands) website where there is missing data (equation above does not equal to zero) and unclear breakdown.

“Available capacities, booked and technical capacities, on an annual basis over all years where capacity is contracted plus one year, and at least for the next 10 years. This information shall be updated at least every month or more frequently, if new information becomes available. The publication shall reflect the period for which capacity is offered on the market. (annual basis)”

Historical data should be published as well. The gas industry requires heavy investments, depending on a lot of technical/economical/political variables. As a result, a lot of initially planned projects (new capacities) can be delayed or cancelled. Publishing the historical view of future capacities at relevant points would let the market record this fast changing environment.

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.

No! It is rather obvious to observe that current information provided varies widely from one system operator to another, from practically no information at all (LNG terminals in France) to a good level of information (National Grid); most operators being somewhere in between these two extremes. This is mostly due to the lack of transparency requirements, but also sometimes to the quality of publication (e.g. publishing information in a .pdf format makes it impossible to process).

“Information for single final customers and for production facilities that is excluded from the definition of relevant points shall be published in aggregate format, at least per balancing zone. The aggregation of single final customers and of production facilities, excluded from the definition of relevant points, shall be considered as one relevant point.”

This is of critical importance as well. The German production accounts for 15% of their gas mix, it has to be published in the same manner as other flows when we talk about transparency. It is the same for consumption: we must have the possibility to assess the demand per balancing zone, at least at an aggregated level.

“Ex-ante and ex-post supply and demand information, based on nominations, forecasts and realised flows in and out of the system.

The level of detail of the information that is made public shall reflect the information available to the TSO.”

Again, this is currently not respected by operators: Fluxys is hourly nominations vs daily available data.

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?

Yes.

Regarding SSO, we think that three aspects are very important to focus on:

- Relevant information published at least on a daily basis and for every group of storage operated by the SSO (gas in store, injection and withdrawal, available capacities, etc...) and in downloadable format.
- Non-discriminatory and transparent capacity-allocation mechanisms, especially when several mechanisms are used by the SSO (for example capacity goes with the customer and

auctions). All details regarding both mechanisms should be known before the beginning of the storage year (reserve price regarding auction, etc...).

- Tariff structure and evolution are not transparent enough. We need to know exactly why a SSO is increasing/decreasing its tariff, especially when storage capacity goes with the customer without a regulated tariff.

Regarding LNGSO, as we mentioned it before, few information are published (especially in France) and GGP for LNG System Operators are essential.

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?

By experience, system operators tend to publish the least information they are required to. Making these legally binding is the only way to ensure this information is published, in particular the following ones:

- LNG:
 - o "Terminal Code describing all applicable rules and procedure"
 - o "Standard service contracts and other relevant documents"
 - o "Existing and future LNG terminal capacity, including the operation starting date for the new capacities, and contracted and available LNG facility capacity (firm and interruptible when applicable) for the services provided. This information must be provided on a numerical basis, separately for the different services referred to in §10. Also, they shall make public the amount of gas in storage, inflows and outflows. (update at least every day)."

On the last point, we think that requirements should be by nature legally binding. The proof is that since the GGP LNG were published in May 2008, there is still no information available on LNG in France, except inflows on the networks with a 2-day delay.

- Storage:
 - o "SSOs should implement user-friendly systems to make public information in a timely manner in national language and in English on the Internet. Information shall be disclosed in a meaningful, quantitatively clear and easily accessible way and on a non-discriminatory basis."
Not only these requirements should be legally binding but we also face here with storage operators the same problem than with transport operators. If requirements do not specify a format and a time scale, data may be available but will remain very hard to compile and thus use.
 - o "Non-confidential information must be provided on a non discriminatory basis". That point should be legally binding when at least three users have storage capacities.
 - o Services offered, the storage code (if applicable), the main storage standard conditions for each service outlining the rights and responsibilities of all users (including rules for counter flows during injection or withdrawal and the rules (if any) of storage capacity transfer in case of customer switching).
 - o Storage capacity allocation, congestion management and anti-hoarding and reutilization provisions, auction terms where applicable and rules applicable for storage capacity trade on the secondary market vis-à-vis the SSO.
 - o The rules and the charges applicable to storage penalties from storage users and compensation payments from the SSO to storage users.

All these operational and contractual procedures should be legally binding, this is very important for transparency purposes.

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.

List of transparency requirements is exhaustive regarding GGP for LNG System Operators and GGP for Third Party Access for Storage System Operators. Some of them should be legally binding (cf question 4) and priority has to be given to LNG transparency requirements since information provided by LNGSO are very poor in some countries.

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.

Non-regulated assets in general lack transparency as these have no requirements whatsoever.

Production: POWEO believes that the production side strongly lacks transparency. Europe (including the UK and the Netherlands, excluding Norway) produces about 25% of its consumption. That is a very significant part of the supply/demand equation that does not provide any information at all (except on a monthly level with a few months delay, which is of little interest)

LNG: POWEO believes that the LNG side strongly lacks transparency. For instance, LNG terminals in France publish no information at all on stock level, and injection rates on the transport network; and very little information on expected vessel deliveries.

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, please see Question 6.