



26th November 2010

European Regulators Group for Electricity & Gas
28 rue le Titien
B-1000 Bruxelles

Ref: E10-GWG-68-03

gastransparency@ergeg.org

ExxonMobil's Response to ERGEG on existing transparency requirements for natural gas

Dear Sir/Madam,

ExxonMobil is a longstanding participant in the European Gas and Power business involved across the supply value chain including upstream production, storage and processing, LNG receiving terminals and marketing. As such we were keenly interested in the ERGEG consultation published on 8th September 2010 concerning existing transparency requirements for natural gas.

ExxonMobil welcomes initiatives that improve the functioning of the European gas market and supports measures that promote market transparency to ensure a level playing field for all market players. We recognise the current inconsistent nature of information provision across the EU and the challenges faced by member states, to satisfy binding transparency requirements laid out in both the 2nd Gas Directive and Third Energy Package.

Formalising the revisions to chapter 3 of Annex 1 of Regulation (EC) 715/2009 through entry into the official journal, allowing for recovery of costs in relation to data transparency, and clear definitions on the nature, format and timing of information provision will help expedite implementation of data transparency requirements in the EU.

General Comments

ExxonMobil agrees with ERGEG's approach to handle fundamental electricity data transparency¹ separately to gas transparency but would like to further emphasize differences between the electricity and gas markets to support this approach, in particular in relation to production outages.

Unlike the electricity generation market, in which there is an instantaneous requirement to balance supply and demand, gas is balanced over much longer periods, usually daily. Gas supply is far more elastic than that for electricity and the outage of an electricity generation plant is generally noticeable almost immediately by the market. Disclosure of electricity outages therefore represents a confirmation of what is already known.

¹ ERGEG Draft Comitology Guidelines on Fundamental Electricity Data Transparency, E10-PC-55

Gas production on the other hand can be located long distances from the market where it is consumed, indeed the EU has growing gas imports sourced from non EU countries and from global LNG supply sources. Whilst diversity of supply should be encouraged and is good for the EEA from a security of supply perspective it also presents issues around ensuring a level playing field for all market participants and ensuring no unfair advantages are created for those non-EEA producers who are not subject to EU regulations.

In the event of an outage at any single production installation, the 24-hour balancing period provides for end of day quantities to be made up in a variety of ways:-

- Possibility to increase flows from one or more production installations in the same, or alternate fields, either owned by the same company or through existing contractual arrangements;
- Using excess gas in the pipeline (linepack) with an offsetting reduction in pipeline pressure to manage end of day deliveries;
- Using storage capability to meet customer demand.

Premature disclosure to the market of outage information could lead to misinformation and increased price volatility. For example publicising an outage before a position can be balanced advertises a short position and reveals a distressed buyer, ultimately resulting in higher costs and a need to cover such exposure through, for example, standby storage or “insurance”.

In addition, the recently enforced Security of Supply regulation already outlines measures for safeguarding gas supply and requires the competent authorities of each member state to establish both a preventative action plan and an emergency action plan. The emergency action plans should outline measures to address emergency demand or supply situations in accordance with the supply standard² outlined in the same regulation. Information transparency requirements in relation to an emergency situation are also outlined within Article 13 of the Security of Supply regulation.

Transmission

Whilst good progress on data transparency requirements has been made in a number of member states there still remains significant work to do to ensure consistent real time provision of information at all major entry / exit points across the EU, and efforts should be focused on the implementation of these requirements followed by an assessment of what gaps remain post implementation across the EU.

LNG

In line with our general comments above we believe implementation of the Third Energy Package should be the priority. Whilst we believe the GGPLNG³ provide a good reference point, converting them into binding requirements would be of secondary consideration behind implementation of the Third Energy Package.

² Regulation 994/2010 concerning measures to safeguard security of supply, *Article 8*

³ Guidelines of Good Practice for Third Party Access for LNG System Operators E08-LNG-06-03

Storage

ExxonMobil have appreciated the GGPSSO⁴ as a reference or benchmark for good practice in support of the implementation of the European Directive 2003/55/EC. However with the coming into force of the Third Energy Package in March 2011 the GGPSSO have become legally binding in the form of Regulation (EC) No 715/2009. We refer to recital 27 of this regulation:

"Monitoring by the European Regulators' Group for Electricity and Gas concluded that the voluntary guidelines for good third-party access practice for storage system operators, agreed by all stakeholders at the Madrid Forum, are being insufficiently applied and therefore need to be made binding."

Considering that the tenets of the GGPSSO are now incorporated in a binding regulation, the questions concerning GGPSSO seem redundant.

We hope the foregoing comments prove useful. For further information, or if you wish to discuss the above, please contact Barry Shackleton (+44 1372 22 2715 barry.j.shackleton@exxonmobil.com).

Kind Regards,

Barry Shackleton
Associate Regulatory Analyst

⁴ Guidelines of Good Practice for Third-Party Access for Storage System Operators E04-PC-01-14