

ERGEG gas regional initiative

North and North-West regional energy market (REM) project

Definition of workstream

DRAFT FOR COMMENT

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TRANSPARENCY

1. Issue and challenges

Transparency has been identified as one of the priority issues for the gas regional initiative (GRI) in ERGEG's gas roadmap conclusions paper¹. It is seen as an important priority in establishing a functioning and effective regional market. Furthermore, DG Competition has highlighted that a lack of information transparency is a key impediment to the development of competition across Europe².

Infrastructure operators have a crucial role to play in managing and providing the information that the market needs to operate efficiently and effectively. Deficiencies in the management and provision of this information impede the ability of market participants to manage their risk and take commercial decisions – which can create real barriers to entry and competition.

An important balance will need to be achieved between information that can be released that facilitates market development and that which is commercially sensitive and may damage the commercial position of an infrastructure operator and/or one or more of its users. Commercial confidentiality concerns need to be balanced against the risk and costs which result from distortions to the market caused by a lack of transparency. This concern has been recognised by DG Competition in its preliminary report.

Differences in national law could also affect the specificity of how issues of commercial confidentiality are managed in each Member State – but embracing the principle of avoiding distortion to the market remains crucial.

All market participants (including the Stakeholders Group) are able to contribute to the scope of the information to be published by infrastructure operators to achieve a functioning market. This information must be managed and provided to all market participants on a fair and non-discriminatory basis. The information must also be "fit for purpose" i.e. accurate and meet market requirements in terms of the level of detail, frequency and timeliness of provision. Transparency of information is good for all parties. It builds confidence, stability and liquidity in markets which can help to reduce the level of risk and costs borne by market participants; it also helps regulators to take well informed decisions –for example in monitoring market

¹ "Roadmap for a competitive single gas market in Europe" – An ERGEG conclusions paper, March 2006.

² Energy Sector Inquiry – Draft Preliminary Report – DG Competition February 2006

behaviour- with complementing non-public information that regulators have access to (e.g. contracts).

Any recommendations on transparency rules from the Implementation Group (IG) to the Regional Coordination Committee (RCC) will need to be considered at a Pan European level and where possible be mindful of existing obligations and voluntary initiatives. For storage system operators (SSOs) e. g. there are already the GGPSSO containing detailed transparency requirements. Before considering any new requirements SSOs should have the necessary time to show the effectiveness of the existing voluntary provisions. Furthermore, the European Regulation 1775/2005 contains transparency requirements for transmission system operators (TSOs).

Whether or not any output from the Regional Energy Market (REM) goes into legislation or to form a voluntary code, its applicability to the key issues listed below will be essential. Consideration should also be given to comparable work-streams in other REMs and in electricity to provide consistency in approach throughout the EU.

2. Scope of Work

As outlined in the previous section, it is important to assess whether both the information provision and management is adequate to support the functioning of an efficient and effective gas market. Similar work is currently underway in electricity where ERGEG has prepared guidelines for good practice on transparency and information management for consultation³. It will be important to learn any lessons from this as work progresses on these issues in the gas market.

It is proposed therefore that work is undertaken within the gas REM to help assess the transparency requirements of the market.

In conclusion, the following key issues need to be addressed as part of the Transparency Work:

- what information the market needs to operate efficiently and effectively;
- how this information should be provided by natural gas undertakings and by network users where appropriate on a fair and non-discriminatory basis;
- and what level of information provision is appropriate?

The views of stakeholders will be an important input to this assessment.

3. Proposed Workstrands

The following workstrands are proposed to provide answers to the issues outlined above:-

Proposed Workstrand 1 Assessing implementation of the information requirements in Regulation 1775/2005 (the "Gas Regulation")⁴.

The Gas Regulation includes guidelines and more general information requirements in relation to the publication of information. This includes information on:

- tariffs
- third party access (TPA) services

³ Guidelines for good practice on information management and transparency in electricity markets, ERGEG, March 2006

⁴ Regulation (EC) No 1775/2005 of the European Parliament and of the Council of 28 September 2005 on conditions for access to the natural gas transmission networks, OJ L 289/1 (3.11.2005)

- principles of capacity allocation mechanisms (CAM) and congestion management procedures (CMP);
- technical information; and
- capacity.

The implementation of the Gas Regulation will be an important step forward for information transparency and an assessment of the level of compliance by Transmission System Operatives (TSO's) will be an important task for the Transparency IG.

The initial assessment of implementation of the information requirements in the Gas Regulation will be undertaken by ERGEG by issuing a questionnaire to each National Regulatory Authority (NRA). The ERGEG Transparency Task Force (TTF) will undertake this part of the work and will develop the questionnaire and assess results. Completed questionnaires/results will be made available to TSOs and other stakeholders for comment.

Proposed Workstrand 2: Assessing consistency in information published under the Gas Regulation

It is important that there is consistency in the information that is published.

The TSOs will be issued with a questionnaire to help assess the level of consistency in the information required to be published by the Gas Regulation. This will request details on the definitions and any assumptions that are being used to produce the information. The questionnaire will be developed for the gas REM RCC by the participating regulators and will be issued to TSOs within the North and North-West region.

It is recognised that the Commission is considering drafting an Explanatory Note (EN) on Transparency to accompany the Gas Regulation.

Proposed Workstrand 3: Assessing other transparency requirements for the market

The assessment of transparency requirements will not be limited to analysing whether the information requirements in the Gas Regulation have been implemented and whether if implemented, this is sufficient to achieve a proper functioning market. The requirements in the Gas Regulation relate to transportation networks and do not cover other key infrastructure and essential services and facilities including information from:

- upstream producers;
- LNG;
- Storage;
- Interconnectors;
- gas hubs; and
- local gas distribution networks.

However, for storage, GGPSSO already defines transparency requirements.

As previously stated, it is important to consider the views of stakeholders in assessing what information the market needs to operate efficiently and effectively. Consideration will also need to be given to consistency in information requirements between different infrastructure operators. The North/North-West RCC intends to issue a survey to stakeholders to help assess the information requirements (fit for purpose) of the market. A questionnaire will be developed for the gas REM RCC and will be issued to stakeholders. This questionnaire will be particularly important to deal with the issue of the rationale and requirement behind requests for

information. A good outcome will allow a proper examination of the real benefits of making data available versus the costs.

Stakeholders will therefore be asked what information is required and to provide objective reasons for needing this information. In particular, the Implementation Group should seek to understand what requirements shippers have for an overview of the contractual situation in the Region. The responses will then be assessed as to the appropriateness of the information and other issues such as cost of provision (see above) and confidentiality will also need to be considered and any solutions explored e.g. can issues of confidentiality be overcome through aggregation of information. Consideration will be given to how the costs of information provision are passed on to system users (be that indirectly or a cost per access basis).

Proposed Workstrand 4: Developing a “Winter Outlook” report

GIE announced at the Madrid Forum its intention to consider the development of a Winter Outlook report. It is suggested not to duplicate this work in the GRI, but for the RCC to request that GIE provides a response on this issue at the next Madrid Forum.

Proposed Workstrand 5: Effective management of information (for the ERGEG transparency TF):

It is also important to consider the way in which information is managed by TSOs and other operators of key infrastructure, particularly given the extent of vertical integration throughout the EU. ERGEG has recently published guidelines for good practice for transparency and information management in electricity. These guidelines will be used by the IG as a starting point to consider what arrangements are appropriate in gas.

The table below outlines how the work could be taken forward.

The table also identifies how work undertaken in the gas RI will feed into the wider/higher level ERGEG workplan.

Proposed Outline workplan

Issue	Description	Responsibility	Timing
1. Assessing implementation of information requirements in Gas Regulation	A questionnaire will be issued by ERGEG to each NRA to assess the level of implementation. The completed questionnaires will then be made available to stakeholders for comment	ERGEG – to be undertaken by the Transparency TF NRAs will complete this questionnaire Gas REM will co-ordinate collation of stakeholders’ views	July-25 August
2. Assessing consistency,	A questionnaire	ERGEG – to be co-	July- end of

definitions/assumptions of information published under the Gas Regulation	will be issued to TSOs to gain a better understanding of consistency of information published	<p>ordinated by the gas REM</p> <p>TSOs to comment on and complete questionnaire.</p> <p>Gas REM to approach ERGEG re drafting the questionnaire and to monitor any EN on Transparency</p>	September
3. Assessing other transparency requirements for the market taking into account the related costs.	Survey to be issued to stakeholders	<p>ERGEG – to be co-ordinated by the gas REM</p> <p>Gas REM to approach ERGEG re drafting the questionnaire</p> <p>Stakeholders to complete questionnaire</p> <p>Gas REM to assist with analysis</p>	<p>September-end of October.</p> <p>Results from the survey of stakeholders will be presented at Madrid.</p>
4. Evaluate the development of a Winter Outlook report	Development of framework of potential Winter Outlook report	GIE	July-end of November. to present at Madrid Forum.
5. Assessing information management/transparency issues and producing overall report for consultation*	Report to be produced by ERGEG	<p>Gas REM to prepare an initial views assessment on lessons to apply to gas.</p> <p>ERGEG open consultation – to be undertaken by the Transparency TF</p>	<p>September</p> <p>October-December</p>

* This overall report from ERGEG is intended to bring together the various inputs from the 4 gas REMs and set out the regulators' views on transparency and information management issues for the gas market. The report will be an open consultation.