

EFET Gas Committee

Gas Market Information Requirements

Scope

The aim of this note is to identify the main information requirements to facilitate trading throughout the EU. Gas Traders and other suppliers in the EU internal gas market require access to information – this is both information they need for efficient access to the system as required by Gas Directive Article 8.1.d and market information e.g. price transparency.

Several sections of this paper focus primarily on Transmission Systems Operators (TSOs). This is because gas trading takes place, or is developing, in or at the edges of transmission systems. The lack of information on gas flows, outages, congestion, available transportation and gas quality conversion capacity and other factors is still a major obstacle for gas traders shipping gas on continental pipeline networks. The issues are similar, albeit with differing emphasis depending on the TSO and/or the country concerned.

Many of the information requirements should also apply to other parts of the EU gas system for which non-discriminatory third party access is required, e.g. LNG and storage facilities.

We give some current examples of inadequate information provision, but this is not an exhaustive list. Information can be inadequate not only because of the poor quality of content or delay in its provision, but also because the format of the information or the process for obtaining it is unhelpful.

We have identified following issues:

1. Capacity booking
2. Allocation
3. Network outages
4. Congestion Management
5. Balancing
6. Capacity and commodity release
7. Storage
8. Supply and demand forecasts
9. Price transparency

1. Capacity booking

As accepted by TSOs in the Madrid Forum Guidelines for Good Practice (GGP) capacity information needs to be published in an easily accessible form on a non-discriminatory basis and not require any further confirmation with the TSO.

Trans-border flows are often hampered by a lack of information on export and import capacities, including transparent information about available capacities and whether these capacities are firm or interruptible. Shippers require an online system with available entry/export capacity for all points. Shippers also need to be in the position to make a risk assessment on the chance of interruption. Although the situation is improving, shippers today spend too much time on capacity requests to TSOs due to slow processing and response times of many days.

For example, in the Netherlands, Gastransportservices (GtS) used to take up to one week to process a simple capacity request. If a shipper is a signatory to GtS's 'Gastransport Electronic Application' (GEA) GtS provides a web-based capacity booking system with almost immediate response. Once free capacity has been confirmed, GtS does not communicate the risk of that capacity being interrupted. For shippers that are not a signatory to GtS's GEA service, the capacity shown on the GtS Website only has indicative significance, since it is not real-time and is only updated from time to time.

Recommendations

- (a)** Maximum and available capacity needs to be published via a publicly accessible bulletin board or web-based system in the same units used for gas balancing i.e. energy/time period.
- (b)** Real-time web-based systems need to be developed to enable users to check the availability of the actual exit/entry capacity for each border point within an entry exit system.
- (c)** Data on the web site has to be commercially usable and enable a reliable risk assessment for shippers, for example on interruptability.
- (d)** As a minimum initial step, capacity information must be updated on a day-ahead basis. Once that is established, within day information may be needed, depending on the balancing regime.
- (e)** Information affecting available capacity, such as maintenance schedules must be made available via the same public web-based system. See also section 3 on network outage information.
- (f)** Information should be published, based on aggregated Day Ahead and Within Day nominations, on both national and trans-borders systems to enhance market transparency and ensure that the right market signals are created, leading to efficient use of the network.
- (g)** Transparent information on capacity booking processes should be published, describing how equal treatment of all capacity requests is achieved.
- (h)** Until there are online booking systems available, TSOs should respond to capacity requests within 24 hours.
- (i)** TSOs should have systems that at no cost automatically acknowledge the transfer of title for capacity to a shipper's counter party and keep that information secure. Shippers should be able to pass the title of exit/entry capacity to other counter parties with as little formality as possible.
- (j)** The validity of the information should be audited by the regulatory authority.

There are still inconsistencies in the EU between TSOs that operate Entry-Exit systems for transmission for delivery within their system and at the same time operate separate transit arrangements. This can therefore cause confusion between the capacity booking processes.

2. Allocation Information

TSOs should provide shippers with the allocation information they require in sufficient time to allow shippers to take action to correct any imbalance. For example, for daily balancing, allocation should be provided each hour after the hour. TSOs should also provide shippers, in a timely manner, with the information held by the TSO that is necessary to fulfil shippers' reporting responsibilities, resulting from the transfer of gas across a border.

Recommendations

- (a) Both the information requirements and the problems associated with allocation can be minimised if the correct procedures are in place.
- (b) Particularly at cross-border locations, effective Operational Balancing Agreements (OBAs) and Interconnection Agreements (IAs) between TSOs reduce the routine technical information required by shippers from the TSO (except when the OBA limit is exceeded).
- (c) TSOs must also agree consistent matching processes within their IAs to ensure that Title Transfer is effective and is robust to constraints applied by either TSO.
- (d) TSOs should provide shippers with sufficient allocation information before the end of the balancing period, to enable them to take corrective actions.
- (e) After the end of the balancing period, final allocation information should be provided promptly and should not be amended further after a common date agreed with users.
- (f) Any further information held by the TSO that shippers require to meet their reporting responsibilities, e.g. for tax purposes, should also be provided in a timely and user-friendly manner.

3. Information on Gas Outages

TSOs are operating different methods of informing shippers about outages. Also, the scope of information varies from one TSO to another. These differences in and lack of information provision result in a considerable risk of imbalance charges throughout various systems for gas shippers and un-quantifiable risks to security of supply.

Recommendations

- (a) Notification of forecast and planned maintenance must be published. All information on outages, whether planned or unplanned, must be published.
- (b) We would like to see a uniform and simple web-based system to identify outages immediately, combined with information on the expected duration of the outages and their exact rationale.
- (c) TSOs should cooperate to develop a single widely used outage information system.

4. Congestion Management and Allocation of Capacity

Congestion management frequently occurs at international bottlenecks, for example in the pipeline connecting the FLUXYS system with the TENP system. The way congestion is managed differs from country to country, and is subject to change from one year to another.

Within Germany alone, there are different TSOs operating different congestion management and allocation procedures. The congestion procedures often lack transparency on how the capacity is allocated. For example, Ruhrgas allocates transportation capacity pro rata to the number of registered requests, however, reserves the right to prioritise 'economically more viable' offers, with Ruhrgas favouring transportation requests for longer periods or longer distances. Counter to this practice is the allocation of the First-Hand-System practised by Dutch TSO Gas transportservices (GtS) using a system based on first-come-first-served, whilst neither ENI nor SNAM Rete Gas appear to use a consistent congestion management system at international border points.

Particularly inappropriate is the allocation of international transportation capacity on transit pipelines to Italy: notably on the Trans Austria Gasleitung (TAG), bringing gas of Russian origin to the Italian market, and the Transmediterranean Pipeline (TTPC), bringing Algerian gas to the Italian market. ENI indirectly owns the pipelines, and has contracted all transportation capacity on a long-term basis, with very small quantities left for the operational companies. Transportation capacity is only released at ENI's discretion over short periods, mostly during the summer months. Neither the Austrian nor the Italian regulators are exercising competence to oversee allocation of capacity to third parties on this essential gateway to the Italian market.

Furthermore, the release or allocation of international capacity is not co-ordinated with the release of necessary entry capacity into the SNAM RETE Gas System, for which capacity bookings from shippers not registered in Italy are not accepted and Standard Agreements for periods shorter than one year are not available.

Recommendations

- (a)** Equal treatment of all capacity requests.
- (b)** Full real-time information showing where (in the line of requests) every capacity request is.
- (c)** Priority treatment for affiliate companies or others should only be allowed in relation to the status of the booked capacity as firm or interruptible and should not be at the discretion of the TSO. The first-come-first-served principle is not an appropriate measure to allocate capacity, unless combined with other price-related methods such as auctioning.
- (d)** We would welcome a uniform non-discriminatory approach to Congestion Management with a transparent method for determining the available capacity (volume, time for injection/withdrawal) and the pricing for such capacity.
- (e)** We would like to see an obligation for TSOs to release timely information on available capacity and maintenance schedules on a publicly accessible bulletin board or Web-based system.

- (f) International Transit Pipelines in the EU and the allocation mechanism for cross-border transportation capacity should be made subject to regulatory control in the country of destination of the pipeline.
- (g) Entry capacity at EU borders should be made subject to regulatory control, in particular in with regard to ensuring transparency and non-discriminatory allocation mechanisms.

5. **Balancing**

In our experience, penalties for balancing in most continental gas systems are unrelated to a market cost of the gas required to correct the imbalance. We would need a balancing mechanism catering for a Balancing Gas provider, whereby the gas price is based on market prices rather than, like today, a combination of capacity price and border price.

The Gas Directive gives regulatory authorities the powers to set balancing rules and supports the move to market-based mechanisms.

EFET prefers cash-settled balancing markets, but, in the transition to achieve this, recognises that regulated balancing regimes may be necessary.

- **Regulated balancing regimes** with a balancing gas provider (e.g. as in Spain), who may be required to put gas into/withdraw gas from the system at a regulated price. This system should be a temporary arrangement, with the objective being the transition to a balancing market.
 - **Required information** – the balancing provider should provide information on the costs incurred in balancing the system (i.e. volumes bought/sold by the system and associated prices). Network users need this information to be able to forecast their out-of-balance costs and as validation that the TSO is incurring costs efficiently.
- **Cash-settled balancing markets** (e.g. in the UK) in which network users make bids/offers to withdraw/inject flexible gas from/into the system
 - **Required information** – the market operator should provide information on bids and offers, the clearing price and the out of balance charges applied for each balancing period. The rules on how the market is operated must be published. The final system buy and sell prices, and the differential between these, act as an incentive on shippers, not only to balance, but to make their own flexibility available as well.

Once a balancing market has been created, then the buy and sell prices can be used to determine imbalance prices. Physically traded gas markets with cash settled balancing at market prices will provide the right incentive for security of supply.

Recommendations

- (a) The above 'required information' must be made available.
- (b) Calculation mechanisms relating to balancing must be transparent with sufficient information to demonstrate that prices are market-reflective, or, in the case of regulated balancing regimes that prices are based on efficiently incurred costs.
- (c) Online publication of aggregate demand forecasts in each TSO area.
- (d) Overall, the information requirements on TSOs should be designed to support the development of cash-settled balancing markets.

6. Capacity and Commodity Release

The full terms and conditions of any capacity and/or commodity release programme should be published well in advance of the planned auction, after consultation with potential participants and approval by the relevant authorities. The gas release following the merger conditions in the context of the E.ON takeover of Ruhrgas mainly failed because of the unrealistic base price mechanism, allowing potential bidders to ascertain the real price only ex post, after the publication of the chosen index.

Recommendations

- (a)** Notifications of likely dates for release programmes should be done well in advance.
- (b)** Full on-line publication of terms and conditions.
- (c)** We would favour auctioning of capacity as a preferred method of capacity release combined with a fully transparent and timely auctioning mechanism; Capacity requests with a capacity booking system, should be purely time-related.
- (d)** Publication of aggregated information on the outcome of each section of the release programme, including auction results.
- (e)** Base/floor prices for capacity release should be in relation to market price rather than published price indexes appearing after the auction.

7. Gas Storage

The Gas Directive 2003/55/EC Article 8.1 (d) requires storage operators to provide users (and by implication potential users) with the information they need for efficient access to storage facilities. To ensure non-discriminatory access, information must also be provided on a non-discriminatory basis. With the exception of information relating specifically to a user's account, all the information that is available to any other storage users (including the Storage Operator's affiliate) must be provided to all users at the same time. Information relating specifically to a user's account must be kept confidential and information must be provided to that user promptly and on the same time scale as to any other storage users (including the Storage Operator's affiliate).

Recommendations

- (a)** Storage operators should provide user-friendly on-line information systems to provide users with the information they need in a timely manner. Where required by users, information should be provided on a real time basis. EFET has listed the main commercial and operational information required by users in its March 2004 paper *Storage Operators Guidelines for Good Practice: Requirements for effective access to storage services*.
- (b)** There must be transparency in all TSO and Storage Operator rights and processes (e.g. TSO pre-emptive rights, over bookings or over operations).

8. Gas Supply and Demand

Information on gas supply availability and forecast gas demand has a direct effect on the market's perception of gas prices. Each TSO has forecasts of the expected load (gas demand) on their system. These load forecasts must be made available to market participants. To the extent that the TSO has information on upstream flows and forecast or planned outages, this information must also be made available in aggregate form.

Recommendations

- (a)** Gas demand information and forecasts being used by the TSO must be made available in aggregate form for each off-take from the TSO's system and for the system as a whole. Publication should be in a timely and non-discriminatory manner.
- (b)** Information and forecasts that the TSO has and materially affect the gas supply availability at entry points to the TSO's system should be provided in aggregate form on a non-discriminatory basis.
- (c)** So that the market can assess and mitigate extreme supply/demand risks, the basis for a declaration of a gas supply emergency (or other conditions that might lead to the System Operator suspending normal services) should be published and appropriate procedures developed with the market participants.

9. Transparency of Commodity Price

Without price transparency there can be no market confidence. Market confidence is essential for the development of robust and liquid traded wholesale markets. Europe's most liquid gas market at the UK's NBP is characterised by on-line information systems and price transparency for traded market prices. In the Netherlands, the establishment of price reporting has gone hand-in-hand with some rapid development of the prompt market at the TTF.

Currently, it is due in part to lack of price transparency that traded gas volumes are severely limited in several continental markets. In Italy a first step has been made with the opportunity for offers and requests for gas to be posted on the PSV notice board, either with names or anonymously, but there are currently no prices.

In Denmark, it was reported that Dong was due to set up a gas transfer facility by 1 January 2004, initially designated the GTF facility, with prices established privately without an electronic market. If the GTF facility is to be realised, then some form of anonymous price reporting by the market participants will need to be established at an early stage.

Recommendations

- (a)** Gas trading hubs should aim to develop electronic systems with full price transparency.
- (b)** In the early stages, Regulators and Operators should encourage market participants to report prices of trades anonymously to independent price reporters (e.g. for publication in daily market reports of Platts, Heren, Argus) so that price transparency can develop.



The EFET Gas Committee advocates freely traded gas markets, promoting market transparency, non-discriminatory market conditions and market access in order to shape the future European Gas Market.

Concluding remarks

The EFET Gas Committee expresses concern about the current practices of continental TSOs and supports initiatives to strengthen regulatory control over operational aspects of international pipelines, in order to overcome the existing problems and facilitate a true common European Gas Market. Ensuring an appropriate level of transparency to provide gas market participants with sufficient information is a key element of this process. There must, of course, be active compliance of TSOs with the Madrid Forum Guidelines for Good Practice (GGP) agreed in September 2003. Implementation of these and the wider requirements raised in this paper are essential to the development of effective gas competition in the EU.

EFET Gas Committee
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