

Indicative threshold of REMIT publishing obligation

For the

Danish Gas Offshore Sector

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Introduction

REMIT defines “inside information” by means of the following four criteria:

- (1) precise nature
- (2) which has not been made public
- (3) which relates, directly or indirectly, to one or more wholesale energy products
- (4) and which, if it were made public, would be likely to significantly affect the prices of those wholesale energy products. Hence, no actual price effect is required.¹

Market participants shall publicly disclose in an effective and timely manner inside information which they possess. This memo is to give a **quantitative indicative threshold of when** a technical/operational event, such as outage or maintenance in the Gas Off-shore Sector has an effect in the Danish gas market in the sense of the REMIT Regulation and thus when information about the event has to be publicly disclosed .

Indicative threshold

In order to make the definition of “inside information” under the REMIT regulation operational in a Danish natural gas context, an overmastering principle to publish changes in capacity or production availability of **14,000 MWh or above per gas day shall apply**.

However, regardless of such principle the affected market participants shall publish capacity or availability changes below 14,000 MWh of natural gas per day if it can be demonstrated that they, at the time where such information should have been made public, had reasonable grounds to believe that the information would be likely to significantly affect gas prices.

Basis of indicative threshold

The recommended indicative threshold has been decided upon as an acceptable and useful threshold of which gas incidents (planned or unplanned) should be publicly disclosed. The recommendation is based on inputs from commercial market participants (shippers and traders) as well as from producers and the threshold level is considered to be a fair and balanced approach.

If you look at the past to see which events have been reflected in the gas price, no clear picture can be made. Even large events have shown not to impact the market. It may be due to the fact that the market already has calculated in some fluctuation e.g. in gas production due to technical reasons. Further, in the gas market even longer stops in production often have no impact on gas delivered to the market due to the long off shore transport and the flexible use of line pack. Previously, the line pack made it possible for the producer to catch up by raising production after a stop has taken place or by withdrawing from a gas storage. A new regime is about to be implemented by the Tyra-Nybro Pipeline operator and at this point in time it is still somewhat uncertain what balancing services will be offered to the shippers. On the other hand, going forward considerable onshore import/export capacity from the continent/Germany will be

¹ ACER Guidelines, 20-12-2011, paragraph 2.4.

available for the Danish market which will increase market liquidity and future off-shore upsets are therefore expected to have less market impact.

Nevertheless, it makes the practical evaluation of whether or not to publish an event easier if the indicative value is kept low and thereby nearly no market situation can imply, that events concerning a lower percentage of domestic demand should have been published. In other words, a high threshold will imply that publication shall take place less often, but the evaluation of events concerning amounts of gas below the threshold has to be determined on a more frequent basis. Given the fact, that the people who experience an event at first hand often do not have the necessary insight of the current market situation, it is better to keep a low threshold.

The recommended indicative threshold shall be seen in the light of the above mentioned considerations.

Seasonal swing

In NordPool Spot (power) the limits of when to report an outage do not differ during the year (100 or 200 MWh/hour dependent on whether a unit or a power plant as a whole is affected). However, compared to power the seasonal swing of gas consumption is considerable. Consequently, there seems to be good reasons for having different limits in summer and winter time. However, the value seems in practice to be more or less equal in summer and winter.

The demand in summer is close to half of the demand in winter, but it seems reasonable to presume that the size of an event which can influence the market price is about half the size in winter than in summer time. More differentiation, e.g. in quarters, is not giving significantly more accuracy. Further it is a value in itself if the model/figures are not too complex and easy to use in practice, i.e. not changing the indicative threshold too often.

For this reason, it has been chosen to use one indicative threshold during the whole year.

Dependent on context

The recommended threshold is indicative. Whether or not to publish ultimately depends on the context. As an example, if an event happens during the coldest day of the winter on a less liquid market, less than the recommended threshold might have price significance. Consequently, it is important to notice that the threshold is a guideline which does not disregard e.g. experience, knowledge of simultaneous events or if the market already has treated similar events as inside information.

This said, however, it is considered to be very difficult to instantly determine when the market is more or less liquid. Due to this fact the recommended threshold is determined to take account of even some tight market conditions.

Common European practice

At this stage no common European practice is in place within the gas sector. Nevertheless, a future transfer of foreign practices e.g. using a common fixed threshold for domestic demand may not be possible, as the Danish gas market has a size which may come into conflict with such a common threshold, due to daily technical production fluctuations.

Nonetheless, the recommended threshold is relatively in line with thresholds unofficially used in other countries, e.g. the Netherlands and UK.

Comparison to the power sector

Inspiration could have been taken from the power sector, i.e. the Nord Pool Spot (power), which authorities are known to have drawn inspiration from. However, the differences between gas and power are noticeable to a degree that makes no straight-lined method possible.

Reasonable conclusions from ex-ante information

According to ACER's Guidelines "Ex-post information may be used to check the presumption that the ex-ante information has a significant price effect, but should not be used to take action against someone who drew reasonable conclusions from ex-ante information". In other words, it is crucial to conduct 'reasonable conclusions' based on existing knowledge *at the time of the event*.

Future revisions of threshold value

At present DERA expects to publish a threshold in the form of a formal but nonbinding declaration. DERA will do this on the basis of the motivated recommendations in this paper. When DERA has published a threshold DERA withholds the right to alter this threshold - e.g. due to lessons learned or discussions with e.g. other regulators/ACER. As far as possible/if possible DERA will consult with the relevant market participants prior to an alteration.

The working group shall, recommend that the threshold is to be evaluated if indications show such need. Until such indications present themselves the threshold should be given significant weight.