Indicative threshold of REMIT publishing obligation
For the
Danish Gas Offshore Sector

Introduction
REMIT defines “inside information” by means of the following four criteria, cf. ACER 3rd Guidance, paragraph 51:

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.2

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 Offshore 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 28,000 MWh or above per gas day shall apply.

However, regardless of such principle the affected market participants shall publish capacity or availability changes below 28,000 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
By October 2014, the members of the REMIT working group with representatives from producers, market participants, system operator and gas exchange (Energinet.dk, Mærsk Oil, Nordsøfonden and Gaspoint Nordic) have agreed to recommend changing the indicative threshold value from 14,000 MWh/day to 28,000 MWh/day.
The three main reasons for this revision are the following:
- The Gaspoint Nordic report “Transparency platforms impact on the market” presented 11 December 2013 on DERA’s seminar on REMIT, clearly indicates that reporting of reductions at the previous level (14,000 MWh/day) has not had a price impact on the market. The main conclusions from the presentation with respect to size of the threshold (at that time 14,000 MWh/day) were the following:
  o The market does not know what to expect from the messages, so it does not react unless they are significant
  o There may be too many unimportant messages for the market to react
  o Only larger reductions in flow or capacity seem to affect the prices on the Danish market
  o Price effect depends the duration of reduction

2 ACER Guidelines, 20-12-2011, paragraph 2.4.
In 2013, Energinet.dk completed the expansion of the Danish transmission system by building a compressor station in Egtved and an additional gas pipeline to Germany. With this new infrastructure in place, the import capacity from Germany has increased from 200,000 Nm3/h to approximately 700,000 Nm3/h. The expansion of the infrastructure towards Germany and Central Europe in general has significantly reduced the price impact of reduced North Sea production, wherefore the indicative threshold value applying to the North Sea producers could be increased.

During various Shipper Forums hosted by Energinet.dk during 2013 and 2014, the size of the indicative threshold value has been discussed among the market participants. The feedback clearly indicates a wish for an increased value. Firstly, because of the market participants’ clear impression that no price impact has been noticed for reductions around 14,000 MWh/day. Secondly, because the existing value is therefore just creating unnecessary “mail spamming”.

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 a two year trial period (September 2012-September 2014) in which the indicative threshold was set at 14,000 MWh, combined with inputs from commercial market participants (shippers and traders) as well as from producers. On this basis the revised threshold level of 28,000 MWh is considered to be a fair and balanced approach.

**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.

**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 3rd Guidance paragraph 5: “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**
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.