ARERA consultation document 170/2020 on the LNG reform for long-term products

EFET response – 30 June 2020

The European Federation of Energy Traders (EFET*) welcomes the opportunity to provide our comments to the consultation document 170/2020 on the LNG reform for long-term products.

Several stakeholders allude to hub development in Italy and anticipate that, as the PSV hub advances and becomes more liquid, with Italian LNG terminals becoming more attractive for shippers, it might even become the reference hub for Southern Europe\(^1\).

Strong price signalling driven by more liquid hub will attract additional shippers. This in turn will likely lead to increased utilisation of terminals while ensuring more dynamic gas prices in regional markets.

However, there are few issues that need to be addressed and you will find below our detailed comments for each question:

S 1. Si condivide la soluzione prospettata di estendere la base temporale per i prodotti di capacità pluriennale? Se si ritiene di dover porre un limite, quale orizzonte si propone?

We recognise that reserve prices for Italian regasification capacity’s auctions are getting closer to those of other European terminals thanks to ARERA’s intervention via Delibera 157/2020, however this is still not enough, especially for those annual and multi-annual processes where tariff is still used as reserve price. We ask to lower such prices and for greater transparency and disclosure for infra-annual auctions prices.

Furthermore, we argue that there is no reason why reserve prices should not be disclosed by all terminals before the auction. Transparency of reserve prices would add to the transparency and efficiency of the processes and save time and efforts for LSO, GME and traders.

S 2. Si condivide la prospettata revisione delle disposizioni in materia di rilascio della capacità conferita?

As EFET, we believe that M-1 is a good proxy for release as M-1 is where most spot LNG cargoes find their market. Differently in M-2 and M-3, primary capacity holders may still find a buyer for the capacity or a different commercial solution to use the slot. While simple UIOLI mechanisms are

\(^1\) Study on gas market upgrading and modernisation - Regulatory framework for LNG terminal, Trinomics, REKK and Enquidity, May 2020

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important and necessary, we believe any further concern with respect to anti-competitive behaviours is best tackled by antitrust regulation and control. On the contrary, tightening the rules for the release of the slots or making them unnecessarily complex may decrease their value and make any multiannual product less attractive.

A possible solution to avoid long term users’ capacity-hoarding could be maintaining a quota of the available regasification capacity dedicated to short-term products.

We agree to increase to 5-days the time limit before the monthly auction for the release of the capacity in the previous month. However, in the case of OLT, this measure must be complemented with the postponement of the monthly auction (currently on the 7th business day) to, at least, a couple of extra business days, otherwise release would almost fall in M-2 and this is not in line with the proposed timeframe.

Finally, with regards to the release and award of the slot to a different user, we agree that the reserve price could be capped to the market price, but we believe that the user that released the slot should:

a) be able to recover the slot after the auction, on a first come first served basis,

b) receive the full amount of the clearing price.

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S 3. Si ritiene d’interesse il prodotto prospettato? Se si, quale durata del prodotto e quale anticipo per l’esercizio del diritto ritenete opportuni? Quali valori del coefficiente $\alpha$ e quali indici di mercato per valorizzare $C_{opt}$ ritenete adeguati?

The new product with a release or withdraw option could be interesting, although not necessary if, as proposed above, reserve price is lowered for the first 5-years’ allocations, to develop existing products and reduce the price spread with northern European regasification terminals.

In any case we suggest only a small quota of the available capacity to be dedicated to this product, at least at the beginning. To improve the attractiveness of the products we also recommend the alfa value to be set ahead of the auction.

Finally, we kindly ask you to clarify whether Pa’s auctions reserve price is set by ARERA and what are the proposed criteria for the setting.