

AEEGSI consultation document n. 576/2017 on flexible usage of long term transportation capacity



EFET response – 12 September 2017

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide comments to the Regulator's proposal of flexible usage of long term gas transportation capacity.

As a first note, we highlight that the very short consultation document does not allow us to provide a comprehensive feedback and, in fact, raises more questions than answers to the quite vague proposal. We therefore encourage AEEGSI to provide more details and clarity on the specifics of the mechanism and to explain how this would benefit the market; all of this should be accompanied as well by an impact assessment analysing the effects on tariffs of such measure.

While looking forward to receiving more details on the measure and to potentially discussing in depth a solution to mitigate the issue highlighted by the Regulator, we would like to share some points that in our view should be firm:

- All regulatory proposals must be duly motivated and need to be justified by a clear benefit for the whole of the market. We fail to see the overall benefit and we would like AEEGSI to provide more detailed reasoning to support the proposal, as well as an impact analysis of the improvement of the competition should this measure be implemented;
- Distortions to the competition must be avoided: no preferential treatment to long-term holders of capacity should be granted, in particular with regards to the future allocation of entry capacity. The proposed measure provides for a competitive advantage to some existing long-term capacity holders for the period after the expiration of the current contracts. A way around this problem would be to allow competition in the allocation process of the capacity in the three years after the end of the contract in case of congestion, i.e. no priority right should be granted to the holders of long term capacity; from the consultation, it is not clear if this would be the case.
- The measure should be compliant with CAM Network Code. If capacity at an EU interconnection point (with Austria) is allocated to the long term capacity holder at the end of the contract, then it can only be allocated on an unbundled basis – particularly if Austrian TSOs do not adopt a similar model to the Italian proposal. If corresponding TAG capacity is available, then it could only be bundled if TAG/GasConnectAustria also conducts a discriminatory allocation process in favour of the long term capacity holder. This also means that the Entry and Exit capacity product

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

at Tarvisio may require to be different and have different allocation processes compared to other Italian and Austrian entry and exit points. There is also a question of whether secondary traded capacity is eligible for this treatment or two separate capacity products at the same entry point would need to be managed;

- Assuming the mechanism will be launched this year, capacity would be released after Prisma's yearly auctions have taken place: in fact this released capacity could not be allocated as an yearly product.
- The measure should be coordinated with the ongoing consultation and process for the review of transportation tariffs. In particular, details should be provided on the impact of the measures on Snam Rete Gas yearly calculation of the fixed and variable components of the transportation tariff, both before and after the expiration of the long term commitments. Other network users should not be negatively affected by the measure. In any case, the proposal should not produce any entry tariff increase in the transitional period, provided that the effects of such intervention would have to be addressed in an organic manner in the definition of the new tariff rules for the 5th regulatory period.

We also need further clarity on certain aspects of the measure and, in particular:

- Once the capacity is surrendered, must the shipper book it back paying whatever premium arise or is it just an option?
- Would shippers that release capacity have to participate into auctions for the allocation of the yearly capacity in future years or will they have a preemption right on that capacity?
- In case Snam sells the released capacity on yearly, monthly or day-ahead basis, will the LT shipper recover the tariff or will Snam hold a double revenue for the released capacity?

We look forward to a constructive discussion upon these issues.