

## **Stogit update of the Network Code rif. 34 – introduction of within day-auction and two-week products**

### **EFET response – 26 October 2018**

#### **General Comments**

As expressed in several occasions, EFET believes that gas storage must be an attractive commercial proposition for market players free from restrictions. Products offered should respond to market participants' needs to fully contribute to the flexibility of the Italian gas market and to maintain its supply security.

We appreciated ARERA's initiative of establishing a dedicated working group on storage to reason on a set of new products to be launched in the upcoming withdrawal season; equally we appreciate the opportunity to provide views to this consultation document issued by Stogit.

In general terms we welcome the proposal of these new products, although a wider range of potential solutions for new flexible products were discussed within the ARERA experts group. For this reason, this should be intended only as the first step of a wider process of reform of the products offered which should seek to allocate maximum availability and flexibility to storage users, inter alia in light of the anticipated changes to the balancing regime foreseen for January 2020 and the removal of Snam's storage allocation. Equally, these products should be offered on top of the already existing ones and should not lead to the deterioration of the quality of other services provided.

Furthermore, the date of availability of new storage services is not clear yet and it would be important to announce it as soon as possible. Equally, it is not clear when the so-called "funzione di costo" for the "capacità quindicinale" is going to be published.

As a general comment, we would like to point at the fact that running a consultation on a set of amendments to the existing code is very cumbersome and going forward we would appreciate receiving a document outlining the main changes and the rationale behind them.

#### **Specific issues**

Below, we highlighted some critical issues related to the new storage services that would be offered by Stogit.

- First of all we underline that the new storage services should be part of a set of structural products and should not be offered instead just in case of emergency/stress of the gas system
- We suggest that the "capacità quindicinale in anticipo/posticipo" should not be offered in an auction or organised market. It represents an option at the disposal of the owner and it should be exercised regardless of a market. Stogit could publish a dynamic "matrice di conversione" letting the owner of the "capacità di erogazione" deciding to exercise its right or not. EFET underlines also the need for providing products "in anticipo/posticipo" of shorter duration

- As far as we understand, the services detailed at page 28 point c) and 31 point b), respectively “Capacità di Erogazione nella fase di Erogazione” and “Capacità di Erogazione Interrompibile di breve termine di primo livello”, will not be available anymore on a monthly and weekly basis. This is a considerable worsening of the service offered. Therefore, we ask to reintroduce the previous allocation frequency
- At page 96 (Chapter 5, Annex 5) the two-weeks-withdrawal capacity (“Capacità di Erogazione Quindicinale”) is not mentioned. We are not sure if it was deleted on purpose, but if that was the case we would like Stogit to explain the reasons behind and reintroduce it
- In order to make the auction process easier, we recommend that all communications and operations (requests and insertion of bids included) related to the new storage products are performed through the same web-platform (Portale Capacità). The booking procedure outlined is not only extremely complex but risks entailing limiting transparency as managed by an ad hoc commission. Also, such procedure is unlikely to deliver the results of the auction immediately after the closure of the session as it should normally be, in particular for short term products
- We agree with elimination of capacity foreseen by the ARERA decision n. 353/2013/R/gas
- We suggest introducing an additional auction during the day D for the within-day product with results made available in 30 minutes instead than 1 hour from the auction gate closure. For example, we recommend the following timeline:
  - o until 11h00 storage users place the requests for capacity; by 11h30 Stogit publishes the results on the *Portale Capacità*; by 12h00 the re-nomination window is opened;
  - o until 16h00 storage users place the requests; by 16h30 Stogit publishes the results on the *Portale Capacità*; by 17h00 the re-nomination window is opened
- On the guarantees that need to be provided for the new products, we kindly ask to specify that shippers can make also use of their rating in alternative to bank guarantee, as it already happens for the other basic services (Chapter 5, attach 8 page 132). Accordingly, pages from 112 to 115 should be modified. Ideally, shippers that already sent their company rating should not need to provide Stogit with any additional documentation in order to take part to the allocation of the new products

### Further recommendations

For a further improvement of the system and to effectively enhance the flexibility of the market, we suggest:

- to continuously introduce additional within-day capacity offers, as it already happens in the transportation system. In particular we suggest hourly auctions, lasting 30 min;
- to introduce a second session for the additional day-ahead capacity auction (before the current day-ahead auction) from 15h30 to 16h00. The products made available in this additional session should be additional capacities belonging to:

- Capacità primaria (eventual capacity in the availability of the SSO)
- Capacity released on voluntary basis by shippers
- Capacity released by the TSO

It is important that the second auction (first in terms of timing), mentioned above, doesn't impact the time structure of binding nominations on which the re-nominations constraints are applied. Therefore, the capacities coming from the re-nominations limits shall be offered only in the actual day-ahead auction session ending at 20h30

- Last, but not least, it is of utmost importance that Stogit IT systems do not hamper the implementation of the new products. Procedures on paper are inappropriate, especially for such short-term storage products. Hence, we strongly recommend Stogit to adapt the IT systems well in advance to facilitate the usage of new storage products and fully exploit their full value in terms of flexibility.