

**AEEGSI consultation n. 187/15 *Attuazione del regolamento Ue 312/2014 della Commissione, in materia di bilanciamento del gas naturale***



**EFET comments – 25 May 2015**

The European Federation of Energy Traders (EFET<sup>1</sup>) welcomes the opportunity to provide its comments to the consultation document n. 187/2015 in the context of the implementation of the Gas Balancing Network Code (BAL NC) in Italy. We appreciate the efforts carried out by AEEGSI and SNAM Rete Gas in integrating the current national balancing discipline towards the implementation of the EU Regulation 312/2014.

Below we have provided our detailed feed-back on specific questions posed by the consultation:

**Q1. *Ritenete che vi siano ulteriori aspetti in materia di notifiche di scambio che debbano essere presi in considerazione?***

As a general first comment, we would like to state once again that in order to have an efficient and liquid balancing market, all the gas sources should be “freed-up”: we refer in particular to the “capped” storage injection and withdrawal profiles – the implementation of the new regime should be the occasion to remove this administratively-set limitation which leads to inefficiency and prevent storage sources to be deployed when effectively needed. This would be all the more important in the context of the new balancing regime where shippers are expected to self-balance their position which requires access to the maximum sources of flexibility the system can offer.

In relation to the arrangements in case of Emergency, as defined by MSE, we ask for more clarity on its different triggers: with the current balancing market set-up a pre-emergency situation leads to the activation of the D-1 session: what would trigger the pre-emergency situation from October 2015? What are the market-based resources that will be activated in that case? We also wonder if different triggers thresholds will be used for the winter/summer season.

In the absence of more details with respect to the identification of the resources which could be activated in case of emergency, we suggest clarifying that the emergency value of 23 €/GJ will be applied only in case of activation of level 3 emergency of the Ministry’s Emergency Plan.

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org).

Regarding art.5 we would like to ask for confirmation of the extension of PSV intraday registration deadline also for OTC transactions (24/7 renomination, coherent with import renominations).

**Q2.** *Si concorda coi principi sopra esposti circa la natura non prescrittiva delle norme sull'intervento del RdB nel mercato?* **Q3.** *Si ritiene necessario prevedere specifici obblighi in capo al RdB circa la definizione e pubblicazione delle modalità adottate per la decisione di intraprendere azioni di bilanciamento? Oppure ritenete che sia sufficiente definire un sistema di incentivi che implicitamente stimoli il RdB a rendere disponibili agli utenti le informazioni più efficaci per l'efficienza del bilanciamento stesso?*

EFET understands that the regulator have a preference to not establish strict boundaries and limits to the TSO's action, but to set instead intrinsic constraints to SNAM's intervention in the market through a penalty/reward incentive scheme.

While we look forward to evaluating a detailed proposal for such a mechanism, we would like to point out that, at least in the first phase, shippers need to clearly understand the TSO's intervention limits in order to undertake market decisions and actions. No limits on prices, quantity and products would leave, especially in the first phase of the implementation of the new system, too much uncertainty on SNAM's intervention that may trigger inability for Shippers to balance their positions and offer flexibility to balance the system

We therefore suggest AEEGSI to requests SNAM to set, at least in the first phase of the implementation of the new regime, some general criteria and boundaries which would help market participants in understanding the logic upon which SNAM intervenes in the market. These criteria should ensure that SNAM has a residual role in balancing the market and avoid any unnecessary interventions as mandate by the Balancing Network Code.

Our suggestion, based on existing balancing systems in other EU Member States, is that SNAM could be required to publish a value for **target linepack**, and a **band around linepack**. SNAM must warn shippers if the system is drifting far away from the target so that shippers can intervene with self-balancing action and assess the likelihood of SNAM's balancing action should the shippers balancing actions be insufficient.<sup>2</sup> Finally, it is important that SNAM or GME publish **real time imbalance prices**.

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<sup>2</sup> For instance in the Dutch Balancing system shippers can monitor system imbalance as a whole and linepack/flexibility available to the TSO through boundaries set on a daily/hourly basis; Gasunie Transport Services (GTS) goes on the market with different prices and quantities depending on the imbalance value (or expected value): imbalance in red (very long/short), yellow (long/short) or green zones activates different actions from GTS. These kind of transparency data are provided by other TSOs in Europe: GRTgaz in France publishes similar data on flexibilities they can use, defining boundaries as a consequence. Also in the UK, initially, National Grid had requirement to publish target linepack and upper/lower limits where they would take action. This was very helpful in making National Grid actions more predictable.

It is, in any case, of utmost importance that the AEEGSI make sure that SNAM complies with the main principles of the BAL NC regarding the priority on balancing resources that may be activated (art. 9.1 and 9.2 of BAL NC) and that there is real time and full transparency on any such intervention.

**Q4.** *Si condivide l'opportunità di rimuovere il servizio di stoccaggio per il bilanciamento operativo delle imprese di trasporto del sistema ai fini del bilanciamento giornaliero?*

We fully agree with AEEGSI's proposal. We stress again that it is of utmost importance that barriers, which prevent an efficient use of storage, should be removed. All storage and flexibility resources for balancing purposes should be available to shippers as, according to the BAL NC, they are the primary balance responsible parties.

**Q5.** *Si condivide l'opportunità di rimandare a successiva valutazione le modalità di gestione oraria del bilanciamento e l'introduzione di prodotti temporal, obblighi infragiornalieri nonché la rimozione o riduzione dell'accesso da parte del RdB al servizio di stoccaggio per la modulazione oraria?*

We agree with the AEEGSI reasoning and we suggest the issuance of a separate consultation document on this, in case it becomes necessary.

**Q6.** *Si condivide l'impostazione normativa illustrata riguardo all'introduzione delle rinomine? Q7.* *Ritenete che vi siano controindicazioni e inefficienze nel prevedere che in una prima fase di avvio le rinomine infragiornaliere presso lo stoccaggio siano effettuate con frequenza superiore all'ora? Ed eventualmente qual è il numero minimo di cicli di rinomina infragiornalieri che ritenete necessari e in che orari?*

In order to have an efficient system, storage should have same renomination deadlines as the import points (hourly). At a minimum, renomination deadlines for storage should be set in line with time windows for SNAM's intervention in the market and deadlines foreseen for the communication of data on users' imbalance position. In this framework, we believe that the extension of the harmonization of units also to storage operators would further simplify the use of the system by market players.

Regarding city gates, SNAM could think about removing completely the compulsory nominations since provisional consumption is not based on nomination and allocation occurs in M+1. For instance, in the German markets, shippers do not have to nominate city gates.

In relation also with the question posed in Q9 and Q10, which suggest the introduction of storage auctions in parallel to continuous trading, we support the objective to allow for the efficient use of storage and the protection of the value of storage as flexible resource. However, as explained below, we would like, for example, to understand how re-nominations would work with a "Use it or Get Paid for it" mechanism. In particular: when, in the day, would a Storage User lose its capacity rights – and consequently at what point would these be auctioned? In general, it is not clear which are the technical boundaries for storage re-nomination and how much withdrawal capacity can be effectively be re-nominated. As a principle, we

believe that it is important that re-nomination of storage is as flexible and efficient as possible; in all European systems, storage and production are the main sources of flexibility providing most of the gas used for balancing purposes.

In conclusion, we note that the level of detail provided by the proposals on storage re-nomination and congestion management is very limited and it is therefore not possible to compare and assess the proposals at this stage. We therefore ask AEEGSI to fully consult on the suggested options providing more detail on how these could work in practice so that market participants can provide an informed view on the alternatives.

**Q8.** *Condividete le considerazioni sopra effettuate in materia di formazione dei prezzi di sbilanciamento? In particolare condividete l'applicazione di prezzi duali in situazione di "emergenza" pari al prezzo definiti amministrativamente solo all'utente sbilanciato nello stesso verso del sistema?*

EFET believes that the "Small Adjustment" can help incentivising shippers to stay balanced and increasing liquidity on the market. However, its value should not be excessively penalizing, especially in the first phase of the implementation of the BAL NC.

We agree with the dual price application for imbalances in case the "Emergency" is triggered, although we believe, as specified in Q1 above, that the balancing and pricing rules in case of Pre-Emergency and Emergency according to the Ministerial Plan should be clarified in advance, to avoid market disruptions.

Furthermore, given the current levels of liquidity of the M-Gas, we suggest the AEEGSI to consider the introduction of a balancing price in case no transaction is registered on M-Gas.

**Q9.** *Si concorda con la necessità di introdurre meccanismi di gestione delle congestioni della capacità di erogazione ed iniezione in stoccaggio?* **Q10.** *Ritenete efficienti i meccanismi sopra prospettati? Quale dei due meccanismi ritenete preferibile (asta esplicita o implicita)?*

With respect to the withdrawal and injection capacity that is left unused by SNAM or any technical capacity of the system that is available on the day, EFET agrees with the introduction of mechanisms which allow for the congestion management and avoid storage resources being left underutilized at times of system stress. It is in fact of utmost importance that the same flexibility that it is available today for storage capacity holders on the platform PB-Gas G+1 and G-1 (with respect to SNAM's unused storage capacity and extra-withdrawal capacity made available by Stogit) is made available to storage users. Indeed storage Capacity holders are today able to optimize their stocks and, at times of system stress, offer stored gas above their peak capacity limit. This helps avoiding, especially during winter time, that the presence of limits to withdrawal commercial capacities determine imbalance prices that do not reflect the physical reality of the system.

In general, if a mechanism is introduced to solve storage capacity congestions, this should be accompanied by the introduction of a secondary market for the exchange of injection/withdrawal capacity (as envisaged

for entry capacity by the Regulation EU n. 715/2009). The application of Use it or Get Paid mechanism is subject to the possibility for shippers to sell unused capacity (on reasonable terms), especially if the remuneration price is not clear.

We seek clarification to the following questions, as the design the second option prospected by AEEGSI (implicit auctions) is not clear<sup>3</sup>. Details would be needed with respect to the following points:

- Would continuous trading be interrupted when auctions take place?
- Will the auction take place only in case of congestion?
- How cash-out imbalance prices will be calculated when entering an auction in continuous trade environment?
- Will SNAM be allowed to intervene in these auctions?
- Will these auctions be open to storage capacity holders only?
- How would the value of storage for storage capacity holders be preserved?
- How will the available resources be determined?

On the other hand, we believe that all the responsible institutions should address with urgency the issue of lack of access to much of the flexibility sources by shippers, especially including storage. The system as designed by the BAL NC defines shippers as main balance responsible parties and it is therefore necessary that they can comply with their duties.

**Q11.** *Quanto ritenete debba essere esteso il periodo di disponibilità delle informazioni e degli strumenti richiesti dal nuovo regime di bilanciamento prima dell'avvio dello stesso?* **Q12.** *Quali informazioni e strumenti si ritengono indispensabili per il periodo di prova prima dell'avvio? E quali al momento dell'avvio del sistema?*

EFET stresses the importance of the timeliness and quality of information provided by TSO both on the system and Shippers' positions during the day. We believe that most data is already available to SNAM and therefore should be immediately made available to shippers. We also urge AEEGSI to address long standing issues with respect to quality of metering data which could have an even more severe impact in the new balancing regime. Shippers can balance themselves only if they have accurate and timely information with

respect to metered points. For example, we note that when industrial meters break down, the lack of clear responsibilities and appropriate incentives to intervene to fix the issue can make suppliers unable to balance themselves. In the new regime this could expose shippers to excessive financial consequences which suppliers have no ability to avoid.

We agree with AEEGSI that a full-regime testing phase ahead of the start of the new regime is necessary. EFET believes that a one-month testing phase is not sufficient and that data and information should be

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<sup>3</sup> We suggest the AEEGSI to consult separately on Q9/Q10 auction mechanisms within two weeks, possibly jointly with Stogit, on the proposed mechanisms including providing market participants with more details which would allow the industry to form an informed view.

available for a period of at least three consecutive months. Therefore, all codes, regulations and tools, at least with reference to the balancing system should be approved and implemented by, at the latest, 1st July 2015.

EFET members are currently planning necessary actions and investments to adapt their internal set-up and IT tools to the new balancing regime. It is therefore of utmost importance to have certainty about the start date of the new system. If by any reason the proposed deadline cannot be met, we urge AEEGSI to timely announce it time companies can adjust their plans accordingly.

Furthermore, we urge the various responsible parties to address the current “missing points”: steps must be taken to introduce hourly re-nomination windows at all borders and to disclose details on the new balancing platform.

Therefore, we demand AEEGSI to make sure that all the above issues are addressed well ahead of the proposed starting date as to guarantee a full-regime testing phase, also considering that shippers must adapt organisation and IT systems to the new operational rules.