

EFET welcomes the new methodology for gas storage allocation in Italy

An essential step in the evolution towards a fully developed market

The European Federation of Energy Traders (EFET)¹ was pleased to acknowledge the preference recently given by the Italian institutions to auctions, as favourite methodology for the allocation of gas storage in Italy.

In the past, EFET has long argued for a market-based approach to allocating gas storage capacity in Italy. We are, in fact, convinced that this is the most appropriate criteria to provide market players with the right signals of scarcity and to allow better functioning of the wholesale gas market and a more accurate assessment of potential new investments in storage facilities.

The Italian MiSE in the new decree² and the Italian regulator AEEGSI in its recent consultation³ seem in fact to be aligned in abandoning for the first time the traditional “pro-rata” system, which created substantial discrimination among participants in access to this resource.

“We could actually define this as a very significant step in opening up access to gas storage in Italy” commented Ilaria Conti, Vice Chair of EFET TF Italy. “Of course, the road is long and there are still very important issues which need to be addressed. In these times of lower gas demand, it is crucial –to ensure that storage facilities recover their costs - that the use of storage is made more flexible and fully integrated with the nascent market-based balancing. EFET hopes to keep providing support in this development process to the Italian regulator and Ministry and other involved institutions”.

Improvements to the current design are still necessary

In current market conditions, features such as undisclosed minimum reserve prices and inflexible products risk discouraging participation in the allocation process. In our view, the next steps to be taken would therefore include:

1. **Reserve price:** ideally, auctions should have no reserve price. However, as to avoid gross distortions of competition, it is crucial that the reserve price is at least known in advance to auction participants.
2. **Free access for all market participants to the whole storage capacity:** in a fully liberalised market, the auction round “reserved” only to suppliers with final customers should not exist. Similarly, there would be no need for the existence of “strategic storage”.
3. **More flexible products are needed:** the current **restrictions to the withdrawal and injection** services associated to storage capacity should be removed. Currently, market participants booking gas storage capacity can only inject and withdraw gas according to rigid predetermined profiles. EFET is of the view that these profiles should be made more

¹ 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.

² http://www.sviluppoeconomico.gov.it/images/stories/normativa/DM_19feb2014.pdf

³ <http://www.autorita.energia.it/allegati/docs/14/044-14.pdf>

flexible to allow market participants to manage situations of system stress efficiently. The design of flexible products will also maximise shippers' participation in the auctions and ensure that more storage capacity is utilised.

4. **Information transparency:** EFET welcomes the orientation expressed by the Italian regulator with respect to release of information for balancing purposes. Following best practices across Europe, these obligations should be clearly defined and subject to penalties in case of failure to comply.

EFET looks forward to the upcoming final resolution by the Italian regulator, which is expected to define in more details the auction methodology and hopes to see an even greater improvement with respect to the above-mentioned considerations.

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