

GME consultation document n. 01/2017 on the introduction of market-making activity on the MGAS

EFET comments – 20 June 2017

Introduction

The European Federation of Energy Traders (EFET) welcomes the opportunity to provide its views on the GME proposal for the introduction of market-making activities on the MGAS.

As a general note, the main EFET purpose is to promote and facilitate European energy trading in open and liquid wholesale markets unhindered by national borders or other irrational obstacles. Proposals aimed at increasing liquidity on the Italian gas market would therefore receive a positive feedback from us. Whilst we support the introduction of a market maker as a mean to promote liquidity, we feel, however, that the integration of the MGAS book in other commodity trading portals, such as Trayport, should be a priority for GME in order to facilitate trading from an operational point of view. EFET has stressed the importance of the MGAS platform being Trayport compatible for over four years, as we are convinced that ensuring smooth market operation is key for the development of liquidity of the new gas balancing regime.

Overall, we wish that market-maker(s) and Trayport integration could be introduced in parallel as soon as possible and in any case before the end of 2017. In addition, in order to boost the liquidity, it is also of utmost importance that the Italian Regulator, together with the Responsible for the Balancing, puts in act effective measures to increase the transparency and efficacy of information given available to the operators for balancing their positions, in terms of quality, reliability and timeliness of data.

Questions under consultation

1. Si conviene di limitare, almeno in una fase iniziale, l'attività di market making al MGP-GAS per il solo contratto giornaliero relativo al giorno-gas G+1? Riterreste più utile avviare inizialmente l'attività di market making anche su altri contratti?

In general, we favour the introduction of the market-making activity to the G+1 product, as it will favour the creation of a transparent price in the prompt market, which will act as reference price also for the forward one.

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

However, in order to facilitate the entrance to new actors, market-making to other products, like M+1 product, should be incentivized separately and could be introduced in the initial phase.

2. Si ritiene congrua la fascia oraria 14.00 – 18:00? Si ritiene opportuno limitare il servizio di LP alla suddetta fascia oraria dei soli giorni lavorativi? Si ritiene, in alternativa a quanto proposto e al fine di garantire liquidità anche nei giorni non lavorativi di estendere l'impegno a presentare offerte a tutti i giorni di calendario? Si ritengono sufficienti i requisiti previsti per la presentazione delle offerte da parte del LP? Si ritengono congrui i parametri proposti per il soddisfacimento di tali requisiti (vedi Tabella 2)? In particolare, rispetto al requisito di "spread massimo consentito", si ritiene congruo il valore proposto per lo svolgimento dell'attività di LP?

Since MGP-power results are known at 13.00, the proposal of a time window for market-making activity starting at 14:00 can be shared.

Other remarks

We seek confirmation that transactions of market-maker(s) will be treated as 'regular' transactions and hence enter the computation of average imbalance prices.

Regarding the remuneration corresponded to liquidity providers, a cap on fixed payments should be defined first.

In order to make the service more appealing to the potentially interested operators, we would suggest - as an additional benefit - to recognize to the LP fulfilling its commitments, the introduction of a reduction - appropriately defined by the GME - of the guarantee's amount (i.e. an increase in the maximum exposure allowed to the LP) for the participation in the MGAS market.

Last, we wish that GME could implement the integrated management of guarantees (power and gas) as soon as possible, as this would allow an overall rationalization of the GME Markets Guarantee System, which has long been demanded by market participants.