

## **AEEGSI consultation n. 413/2017 on the 5<sup>th</sup> regulatory period for gas transportation tariffs**

### **EFET response – 10 July 2017**

#### **General comments**

The European Federation of Energy Traders (EFET<sup>1</sup>) has for long committed to working with ENTSOG, ACER and the Commission in order to achieve a EU Tariff Network Code (TAR NC) that enhances the level of transparency and promotes cross-border trade and market integration. We therefore expect the full and correct implementation of the Code by Member States, aimed at reaching the required levels of clarity, efficiency and harmonization.

EFET is available to provide its expertise in the process of implementation of the TAR NC and will be happy to provide more detailed comments on the 5<sup>th</sup> regulatory period for post 2020 in the context of forthcoming consultation documents, which are foreseen to be published in future months and years.

Below, we have provided our responses to the consultation questions.

#### **S 1 Osservazioni in merito agli obiettivi generali dell'intervento dell'Autorità**

To move towards the new tariff paradigm (mentioned by the same AEEGSI at par. 9.2), it's important to set and clarify since the beginning the general objectives of the regulatory action. In our view, these should aim at maximizing the efficiency of the system, being it in terms of Security of Supply, competition, diversification of sources, tariff transparency and predictability.

Given this, our efforts around the development of the TAR NC aimed at making sure that the Code concentrates on chapters intended to establish robust consultation, timeliness and meaningful transparency around the tariff setting process, as this will make real improvements in the degree of understanding and trust associated with the tariff setting by TSOs throughout the EU. Therefore, our wish is that the Italian Regulator stands for increased transparency, consultation and justification around tariff setting.

One of the principal concern held by network users is the difficulty of forecasting tariffs with any accuracy. The ability to forecast tariffs with reasonable degrees of accuracy is a major factor in the pricing of forward gas contracts, spreads and other risk management products at trading hubs. It can help to promote liquidity and to narrow bid/offer spreads. Improved transparency is achieved through clear understanding of the parameters used in deriving TSOs' allowed revenues and the methodology by which these are recovered through tariffs, availability of accurate data and open consultation on changes (with English language versions available).

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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 28 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org)

We also notice that the consultation document at par. 6.3 states that gas demand in Italy could keep on reducing, while for instance the projections presented by MiSE in the draft National Energy Strategy plan (SEN) predict a stable gas consumption. Apart from the figures, we would like to stress that in the course of the years the gas system has changed and it will continue to change also in the future (i.e. the majority of LT contracts will expire). We recommend developing more flexible and affordable transportation capacity products; this would increase the flexibility of the system and, in turn, enhance market liquidity. All of that will improve the reliability of the PSV as a price reference of the Italian wholesale gas market. Moreover, we highlight that a possible differentiation in the reduction of entry/exit fees between EU entry points vs. other entry points, as advanced at par 6.12, should be discussed and implemented at EU level.

On fuel gas, EFET reiterates that this component should be recovered via a numeric value instead of via a coefficient.

**S 2. Osservazioni in merito alla decorrenza del quinto periodo di regolazione e del processo di consultazione previsto**

EFET appreciates the publication of a detailed timeline of activities foreseen for the full implementation of the TAR NC by AEEGSI in the immediate coming years. However, we notice that an important transparency element is missing from the published timeline, namely the provision at par. 30.2(b) of the TAR NC according to which it should be published “*at least a simplified tariff model, updated regularly, accompanied by the explanation of how to use it, enabling network users to calculate the transmission tariffs applicable for the prevailing tariff period and to estimate their possible evolution beyond such tariff*”.

We believe this simulation tool needs to be published for the sake of full transparency and application of the Code. We therefore call AEEGSI to disclose details over the expected timeline for its publication.

**S 4. Osservazioni in merito alla remunerazione del capitale investito riconosciuto.**

We do not have any particular view on this; we only notice that the  $\beta$ asset value will remain unchanged, while we understand its update was instead foreseen.

**S 5. Osservazioni in merito all'incentivazione per i nuovi investimenti.**

EFET supports a move to output based remuneration for investment, as this would encourage more careful and meticulous approach when planning investment. Nonetheless, it would be useful to provide more transparency regarding investment projects, especially for the part related to costs and expected/realised returns.

**S 6. Osservazioni in merito agli obiettivi di recupero di efficienza.**

EFET agrees with AEEGSI proposal. In general, we support measures which incentivise TSO's efficiency.

**S 7. Osservazioni in merito all'aggiornamento del corrispettivo unitario variabile**

EFET agrees with proposal. Nonetheless, we believe that AEEGSI should provide a detailed impact assessment for each of the proposals. With this respect, we refer to the reports and accompanying documents to the consultations of the French regulator CRE<sup>2</sup> as best practices to follow in terms of transparency.

Last, we suggest to move the application of additional components CVFG and  $\phi$  downstream.

**S 8. Osservazioni in merito ai corrispettivi tariffari e alle quote percentuali di autoconsumo**

On point a), we generally agree on the opportunity to shift from a 50:50 entry/exit split to a 40:60 one. However, also in light of the changing nature of the market AEEGSI should continue the already ongoing reflection on the possible introduction of more flexible and affordable capacity products at delivery and exit points.

On point b), we seek more clarity on the rationale behind this proposal.

**S 16. Osservazioni in merito agli aggiustamenti dei corrispettivi di trasporto relativi a impianti di stoccaggio e impianti di Gnl per il 5PRT.**

EFET shares AEEGSI proposal at par. 14.17 of increasing to above 50% the discount on transportation tariffs applied to storage capacity entry/exit points, on condition that it does not generate additional costs for the system.

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<sup>2</sup> See here: <http://www.cre.fr/en/documents/public-consultations/public-consultation-of-27-july-2016-by-the-french-energy-regulatory-commission-on-the-next-tariff-for-use-of-the-grtgaz-and-tigf-natural-gas-transmission-networks>