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ARERA consultation document n. 512/2018 on the implementation of the EU Tariff Network Code

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EFET response – 17 December 2018

Introduction

The European Federation of Energy Traders (EFET[1]) has for long committed to working with ENTSOG, ACER and the EU 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, also taking into account National specificities, nonetheless aiming at reaching the required levels of clarity, efficiency and harmonization.

In general terms, we welcome ARERA's efforts in providing fully comprehensive argumentations in relation to the way the provisions of the TAR NC is going to be implemented in Italy. Transparency and predictability of tariffs will benefit from a simpler approach compared to the past. We also recommend to pay specific attention to how the TAR NC will be applied in relevant neighbouring countries, namely Austria and Germany, and potential impacts for the Italian wholesale gas market.

We have provided our views on items of our interest for each of the specific parts of the consultation. We expressly thank ARERA and Snam for the initiative of publishing the consultation document in English language as well. Above all, the bilingual documents enable the full participation of many foreign participants in the Italian gas market in the consultation process. It would also be desirable to make the final decisions bilingual.

Comments related to chapter II

- **Par. 9.8** on the allowed operational costs: besides not fully acknowledging the rationale behind this additional incentive granted to the TSOs, we would argue that incentives should be of a symmetric nature. This is to say that rewards in case of satisfactory performance should be mirrored by penalties in case targets are not reached.
- **Par 13.2** on cost recovery for the operational balancing: we welcome the provision according to which TSOs no longer need to have capacity for the operational balancing of the network. As a consequence, we welcome the proposed related tariffs arrangements.

Comments related to chapter III

- **S.13 / Par. 19.2** on variable charges to exit points: we do not consider the application of variable charges to storage exit points to be wise, as it would artificially increase the summer/winter spread. Moreover, though virtual flows are difficult to carve out, the application of the CV to those flows should lead to the removal of CV from storage exit points, or at least to a discount on storage.

[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

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- **S.17:** we have serious concerns on the proposal that the tariff revenue gap linked to the application of the capacity reshuffling mechanism is applied to entry points' revenues, and directly impacts entry tariffs. As pointed out in the letter we sent last year in December[2], the reshuffle mechanism's consequences had to be clarified much in advance and ARERA should have discussed and proposed a clear recovery mechanism when proposing the reshuffle.
  In particular, we believe that the consequence of the above proposal is the increase of entry tariffs at all entry points and this i) penalize imports ii) creates an additional economic and competitive advantage for those companies that benefitted from the mechanism. We suggest that the revenue gap is either applied at all points (entry and exit) or that this is recovered through the specific component CVFC mentioned in paragraph 18.3 of the Document. At the very least, the rescaling mechanism used to recover the revenue gap - in line with the provisions of the TAR Code in Article 6 paragraph 4 letter c) - could be done by adding a constant.
- **Par. 21.18** on the distance discount: we welcome the clarification over the clusters for the reduction of the tariff according to the distance from the network for redelivery points with distance of less than 15 km. There other examples, such as in UK, where distance discount is considered for efficient market investments closer to the national network.

[2] See also our response to AEEGSI DCO n.576/2017