

Eni Gas & Power's response to ERGEG's consultation - "ERGEG Recommendations on the 10-year Gas Network Development Plan"

Introduction

Eni Gas & Power recognizes the importance of providing a common approach to the development of procedures allowing the identification of 10 year Gas Network development Plan in order to discipline, with an European perspective, the scope of the Plans, also relating to Security of Supply matter, steps and ways of involvement of users and Institutional bodies, open season procedures role as fundamental tool to guarantee the opening of investment's opportunities to the largest number of investors.

The main goal should be a feasible approach allowing the avoidance in duplication of requests and questionnaires and taking into account Member States interaction of capacity needs .

Moreover a practical approach in terms of capacity-planning and infrastructural effective development shall support and provide incentives to investment in new capacity through procedures strictly market-oriented, able to attract entrepreneurial initiatives at different levels of the gas chain (on the matter see answer n. 5-6-7 and Annex 1).

Here below follow the responses to the consultation points.

1. What would be for you the benefits of the 10-year gas network development plan?

According to our vision, the 10-year gas network development plan would give benefits to the European gas market and, consequently, to all natural gas operators.

Through a coordinated approach at European level, the most positive contributions would be the identification of obstacles to liquidity or bottlenecks and threatens in terms of security of supply.. This would be an important first step to evaluate the implementation of possible resolution mechanisms.

Furthermore this European network plan would be a useful tool to allow a broader vision of gas supplier's commercial planning activities..

2. What is the most important information you expect from the 10-year gas network development plan?

The major information we expect from the 10-year investment plan would be the global perspective on investment needs and future possible areas of intervention. There would be more transparency about the timing and the localization of eventual open season procedures put in place to respond to capacity needs come out of the plan it-self.

3. Do you consider that the 10-year gas network development plan, as proposed by ERGEG, will be beneficial to security of supply?

We welcome the purpose of taking into account the needs in terms of security of supply in defining the European investment plan, as long as this one would include the analysis of security weaknesses throughout Europe, thus allowing the identification of strategic projects.

For this purpose, we deem necessary to gain a still broader vision including extra-European countries evaluations, whereas they can possibly have an impact on the European security of supply.

We would like to highlight that the European ten-year investment plan would effectively contribute to strengthen security of supply only going beyond the existent gas flows. These latter design the market how it is and not its future development. Moreover, gas flows represent shippers' choices made at a specific time, but, considering that they are not binding, relative information has also an indicative value, in terms of security of supply .

4. Do you consider that the scope proposed by ERGEG is appropriate? Should it be enlarged?

As long as the ten-year investment plan concerns the security of supply, we consider important to enlarge the perspective including extra-European countries evaluations, whereas they can eventually have an impact on the European security of supply.

Taking into consideration the best way to gain an effective development planning activity, as described in answer number 7, it should be underlined that technical and economical aspects should be evaluated by investors only after having identified potential capacity lack.

5. Do you agree with the combined bottom-up / top down methodology proposed in the document? What would be the most efficient process to achieve the top down approach?

6. Would you agree with putting an obligation on market participants to communicate all the relevant information about their future projects?

7. Do you consider the drafting methodology and content relevant? In your view, should ERGEG be more or less prescriptive?

In general terms, we agree with the bottom-up / top down approach proposed, as far as the following principles are respected.

- The collection of data should concern both gas flows and shippers' capacity needs. The information transmitted has an indicative and not-binding value.
- Data collection at national level should be conducted with a strong coordination among adjacent TSOs, in terms of timescale too, avoiding duplications of requests. In fact,

capacity need in a Member State is strictly and unavoidably linked to the capacity requests in the neighbour Member State.

- Duplication of requests should be avoided also when the data concerned are already and periodically provided to other institutional bodies (i.e. Eurostat relating to price analysis, NRAs for other relevant information...).
- An effective European planning activity should follow these main steps:
 - national TSOs and NRAs, in coordination with TSOs and NRAs of the other Member States, gather relevant information and data related both to gas flows and capacity needs;
 - as a result of the previous step, infrastructure needs are identified and open season procedures are implemented to evaluate the effective capacity demand and the availability to finance it;
 - the open season process shall be regulated on the basis of binding European guidelines providing for an investment procedure that should determine not only the market capacity needs but also the availability by each interested stakeholder (sale operators, TSO, other sponsors) to support economically and financially the necessary investments. (See in the ANNEX 1 “Allocation proposal” how in our vision an Open Season should be conducted);
 - European TSOs in a consistent and coordinated way evaluate together national open season results with a view from the upstream to the downstream. This allows the verification of the conditions under which shippers would commit themselves into each national infrastructure investment. After this it will be possible to determine the final outcome of each national open season procedure;
 - the latter output constitutes the ten-year National investment plan.

National plans will be the basis on which ENTSOG will develop the European investment plan elaborating an analysis which takes into account the integration and interaction of the gas markets, the security of supply and the European demand and supply trends.

Whereas ENTSOG would believe it appropriate other open season procedures can be conducted and relative results will configure an integration of the ten-year European investment plan. In any case each open season procedures that occur outside the process described above, as long as they have a positive result, have to determine an updating of the ten-year national and European investment plans.

We don't agree in putting an obligation on market participants to communicate all the relevant information about their future projects; this information should be made available by project sponsors during the management of the open season and only afterward, in case of positive result, can be considered as an input for the plans.

8. What would be the best way for ENTSOG (including its members) to collect data from stakeholders? Should that be carried out at a national, regional or European level?

12. Is the consultation procedure for the EU-wide 10-year gas network development plan proposed in section 3.5 appropriate?

ENTSOG has to use data collected at national level from all European TSOs. In order to get high quality data, it shall be gathered through coordinated common timescale and methodology necessary to gain a vision able to take into account unavoidable interactions, at European level, among different capacity requests.

Duplications of data requests should be avoided and the use of data periodically already provided to other institutional bodies should be maximized

9. Are the scenarios mentioned appropriate? Would you have other proposals?

10. What are your views on the proposed EU network modelling and simulation of supply disruption?

In principle we agree with the adoption of mentioned scenarios and the proposed network modelling supply disruption simulations, these could be useful instruments of analysis to identify preliminarily possible infrastructural needs. Nevertheless it has to be pointed out that this kind of analysis shall not have a binding impact until the infrastructure needs are confirmed by a successful open season process, as the one described in answer 5-6-7.

11. Do you consider it important to have a monitoring report assessing and explaining deviations from the previous plan?

This report could be a useful tool to monitor the development of European infrastructures; anyway the reasons explaining deviations from the previous plan have to be searched among the elements that have eventually determined the failure of open season procedures.

ANNEX 1 – Allocation proposal

In our opinion, it is necessary that an Open Season procedure (OS) determines not only the market capacity needs but also the availability by each interested stakeholder (sale operators, TSO, other sponsors) to support economically and financially the necessary investments.

Thus, we think that shippers participating in the OS should be asked to clearly state the limits of their disposal to support the investment by indicating in a binding offer:

1. the amount of capacity, the period and the duration of the relevant commitment for which they undertake to enter into ship-or-pay contracts;
2. the price they offer for the requested capacity, as variation (\geq) in respect to the expected tariff indicated by the TSOs; these binding offers will be utilized just in case of congestion.

In case the amount identified through the market assessment of point one ends in a need for new capacity (presence of congestion), in our opinion it is appraisable that the TSOs publish the expected tariff level so that the shippers are able to estimate their commitments in order to present their binding bids to the procedure described below.

The possible range of duration of the shippers' commitments could be reasonably set, in our opinion, between a minimum of a month and a maximum of 20 years.

The allocation rules must provide different methodology in case or absence of congestions.

- In absence of congestion for every months to every shipper will be allocated the capacity equivalent in terms of amount, duration and period with the request; the tariff paid will be equivalent to the transportation tariff determined by the TSO.
- In case of congestion: we believe the most suitable and not discriminatory methodology is an auction methodology.

The capacities allocated each month of the 20 years reference period to each shipper result from the most profitable combination of the shippers commitments as stated in the OS (see answer to issue 10 above) and the corresponding monthly price is the so called System Marginal Price, i.e. the lowest price among those offered by the shippers to whom capacity is allocated in that month. The investment in new capacity is supposed to happen if the results of the auction cover the costs deriving from the tariff structure published by the TSO.