



San Donato Milanese, 09 October 2010

**“Assessment of Capacity Allocation Mechanisms and Congestion Management Procedures for effective Access to Storage and Proposals for the Amendment of the GGPSSO”  
ERGEG Consultation Paper**

By means of this non confidential document Eni Spa Gas & Power division (eni) replies to the ERGEG public consultation on CAM and CMP concerning storage capacity.

**Eni’s response:**

**Question 1:** *To what extent do you agree that auction is the best allocation mechanism for storage and what will be the implications?*

Considering the different access regime and technical characteristics of storage markets throughout Europe we believe that an auction isn’t the appropriate allocation mechanism to be generally adopted. In our opinion the standard mechanism to be firstly put in place should be the Open Subscription Window (OSW) at given prices. Only if the OSW reveals congestion, auction represents the best tool to allocate capacity. We think that the step of the OSW is necessary because it grants the respect of the III Package provisions without generating an unnecessary increase in storage prices where there is no congestion.



**Question 2:** *In your opinion, what are the most important aspects regarding transparency that should minimally be addressed by SSOs for both CAM and CMP?*

Concerning transparency requirements, we welcome ERGEG proposal to have more transparent and detailed publication of all the information both in national language and in English at the same time. We strongly support the adoption of both languages also in bilateral communications between shippers and SSOs.

**Question 3:** *In your opinion, what is most important when designing UIOLI (including products and contracts) as to leave a storage user the flexibility to use its storage capacity when needed?*

In our view UIOLI should be implemented only in case of congestion and only regarding injection and withdrawal day-ahead capacities on an interruptible basis.

**Question 4:** *In your opinion, to what extent should offered services and terms & conditions on secondary markets be standardised as to improve secondary trade of storage capacity? Is standardisation a way forward to enhance liquidity of secondary markets? What aspects of secondary markets (products, contracts, etc.) are the priorities to be harmonised?*

We totally agree with the possibility to have standardised products in order to improve the trade of capacity in secondary markets. Taking into consideration the technical characteristics of the different storage infrastructures, the products should have standard contract conditions and comparable durations and performances. Furthermore, concerning the trading platform, we would welcome the possibility to have different coordinated platforms that cluster different SSOs and/or storage infrastructures.



**Question 5:** *To what extent do you agree that (next to probability of interruption) pay-as-used can be applied as a pricing strategy for storage prices that are not regulated and what other pricing strategies would be suitable? How can pricing strategies incentivise new investment in storage and efficient use of storage?*

Bearing in mind that the question is rather unclear, we don't believe that pay-as-used can be an appropriate tool to incentivise new investments in storage and efficient use of the capacity. If we have understood correctly the proposal, this price mechanism can't represent correctly the function of storage in the gas market as a flexibility tool. In our opinion, to incentivise the development of new infrastructure, pricing strategies should be structured to strongly underpin the investment. The procedures of capacity allocation should have a reserve price fixed by the SSO and based on the costs of the infrastructure and the expected rate of return.

**Question 6:** *In your opinion, to what extent do you consider that combined products (i.e. storage services offered at virtual hubs) of storage and transport capacities are a useful and efficient service?*

In our opinion combined products could be an optional offer by the SSO if there is demand for it.

**Question 7:** *In your opinion, what market mechanism (incentive) should be in place to stimulate a storage user to offer any unused capacity on the secondary market?*

We believe that the first step to incentive the offer of unused capacity is to improve the updating of information accessible for the shipper related to, its and total, available capacity. Other proposals that could stimulate the secondary trading of capacity are the development of user-friendly and coordinated trading platform where capacity should be sold by means of standard contracts and the introduction of congestion management procedures.



**Question 8:** *In your opinion, to what extent is the (cross-border) offering of storage products/combined transport-storage products useful to market parties and what should these products (e.g. minimum requirements) look like?*

Since combined storage products foster the integration of the European gas market, we believe that these products should be offered only if there is demand of them.

**Question 9:** *To what extent do you consider the proposals will facilitate allocation and congestion management of storage capacity? What other measures should be in place?*

**9.1** *In particular, what possibilities do you see to enhance efficient use of storage, reserved for public service obligations like e.g. strategic storage or other reserved storage? Under which conditions would additional use of such storage as (interruptible) short-term product or remarketing on secondary market be acceptable? Could you give examples from your day-day experience?*

**9.2** *In particular, what best practice for CAM and CMP should be in place for specific cases when parts of LNG terminal facilities potentially function as storage capacity? Could you give examples from your day-day experience?*

With the exceptions presented in the previous answers, we generally agree with the ERGEG proposals. Regarding the storage reserved for public service obligations, we think that should be a matter of individual Member State decision making. In principle all the market participants should be responsible for the security of the system

**Question 10:** *To what extent would you agree NRAs should be endowed with additional competences in developing CAM and CMP?*

In our opinion NRAs shouldn't be endowed with additional competences regarding these subjects. In the aim of acquiring European regulatory



harmonization, CAM and CMP issues should be addressed at Community level.