

“Capacity Allocation on European Gas Transmission Networks Pilot Framework Guideline”

ENI response to the ERGEG Consultation Document

General

What are your main views of the proposed measures? Do you think Network codes based on these guidelines can achieve non-discriminatory and transparent capacity allocation and the fulfilment of the capacity allocation principles set out in the Third Package of Energy legislation?

What are your views of the implications of each for the measures for sector in which you operate? In particular, we are interested to understand the nature of the implications in a qualitative way (and, if available, any quantitative evidence on costs and benefits would be extremely welcome).

We welcome the ERGEG effort to propose measures providing compatibility, simplification and transparency to the Capacity Allocation Mechanisms on the Interconnection Points among Member States. It's in line with our company vision to reach these goals through the standardization of capacity products and relative booking procedures, the promotion of combined cross-border products, the improvement of compatible web-based platforms and the provision of requiring equal and binding information in order to give transparency to capacity availability.

Scope of the Arrangements

Do you support the scope of the draft framework guidelines proposed?

Giving that the access to all network points has to be efficient, transparent and non-discriminatory, we support the specific consideration of all interconnection points between entry-exit systems, as long as this will provide simplification and homogeneity in booking procedures and harmonization of lead times across Europe. It's important that the degree of standardization brought in won't reduce possibilities of flexibility.

Existing contracts

What are in your views of the challenges that existing contractual arrangements create with regard to capacity allocation? What would be the possible ways to overcome those challenges?

Firstly, in our view, existing contractual arrangements have to be preserved, because of the supply obligations already contracted in the upstream and downstream. Clearly, in deciding how to adapt existing capacity contracts, it's essential to preserve in particular, long term capacity rights and the stability of regulatory framework related to shippers or third interested parties who have invested in new infrastructure.

Should relevant clauses in existing contracts be amended if they contradict the new legally binding set of rules (which will be based on the framework guideline) in order to create a level playing field for all shippers?

The final task of an EU network code is to be equally applied in all Member States, following a reasonable adaptation process. In order to preserve the stability of the system it can be appropriate to opt for a gradual adaptation to come to the complete adoption of the new network code.

Maintaining the preservation of current firm capacity rights, specific clauses if in contrast with the new network code can be amended step by step during a proper transition period.

Paying attention to not put at disadvantage shippers who have capacity already allocated and supply obligations to respect, as specified above, particular consideration has to be given to shippers or other interested parties who have invested in new infrastructures having granted full or partial exemption from TPA. Evidently they have to be hedged from the risk of a sudden regulatory change that would result in an unsustainable financial commitment.

Experts have discussed if existing / legacy contracts should be questioned if certain conditions are met, in order to free up capacity, which would then be reallocated. Do you consider such a proposal appropriate?

As affirmed above, we deem unacceptable freeing up mechanisms which would damage existing capacity rights creating regulatory and market instability. We are, instead, in favour of an efficient management of capacity that could be achieved by promoting trading on secondary market and Use It Or Sell It procedures. Rules related to these and other procedures should be introduced and applied following the same criteria on times, definition of usage, selling features, to avoid discriminatory misalignments among Member States.

TSO cooperation

Is the scope of the identified areas for TSO cooperation appropriate to ensure efficient allocation of cross-border capacity in order to foster cross-border trade and efficient network access?

Contracts, codes and communication procedures

Should a European network code on capacity allocation define a harmonised content of transportation contracts and conditions of access to capacity?

Should a European network code on capacity allocation standardise communication procedures that are applied by transmission system operators to exchange information between themselves and with their users?

In our opinion compatible booking and operational procedures between adjacent systems are a necessary and preliminary requisite to introduce a common approach to the management of capacity and to create liquidity in the market.

Nevertheless this consistency implies the alignment of the different operational practices actually applied among Member States (we are referring for example to the timing of the nomination and re-nomination procedures that should be harmonized and aligned to a daily level; the same considerations are applicable for to the interruption procedures or to capacity allocation windows).

We reassert the necessity of a complete harmonization of congestion management procedures among Member States too.

In this context, we totally support TSOs cooperation in the identified areas.

Furthermore, we are in favour of a standardization of communication procedures, because it can facilitate communication, coordination and cooperation, as well as minimize shippers' effort and contribute positively to the integration of the market.

The standardization of communication procedures, as far as it determines a compatible booking and operating proceedings, is a necessary and preliminary requisite to introduce a common approach to the management of capacity and to create liquidity in the market, which are the main aims of a EU network code.

Capacity products

What are your views of our proposals regarding capacity products?

We are in favour of the requirement to TSOs to define in advance and publish the amount of firm and interruptible capacity they will jointly offer, with their durations and starting dates in order to give a clear schedule to shippers interested in booking capacity. This will give more transparency to the whole capacity allocation process. We underline the importance that capacity booking procedures should be disciplined homogeneously, particularly referring to capacity booking windows and related time schedules.

Do you agree with the idea of defining a small set of standardised capacity products that do not overlap?

We agree with the fact that capacity products should not overlap in order not to create disorder into the market. Obviously timing and duration of capacity products have to be standardized and consistent among regional transmission networks.

Should TSOs offer day-ahead and within-day capacity products?

Once priority is given at least to gas-year standard products, in order to cover firstly the biggest capacity needs related to supply programs, offering shorter term products guarantee the necessary seasonal flexibility. In particular day-ahead and within-day ones allow for short term flexibility needs; to guarantee effective flexibility shipper should be allowed to book these short term products in a short time advance.

Should European TSOs offer the same capacity products at every interconnection point across Europe?

In our opinion this depends on the local specificities of IPs. In general offering homogenous products is preferable, anyway, in this possibility, regional characteristics have to be considered too in evaluating the range of products to be offered. In any case, finding a set of products able to satisfy shippers' needs and widen it reasonably to every IP across Europe represents an important step further to an effective integration of the market.

Should TSOs offer interruptible capacity also in cases where sufficient firm capacity is available?

TSOs should be able to offer interruptible capacity independently from firm capacity available.

Breakdown and offer of capacity products

Should a reasonable percentage of the available capacity be set aside for firm short term capacity products?

Short term products should be offered to satisfy short term capacity needs. The percentage of the available transmission capacity to be reserved for short term demands, should be defined taking into account the specific features of each IP, in terms of total capacity availability and feasibility to satisfy long term needs.

Cross-border products

Recital 19 of Regulation (EC) 715/2009 states that gas shall be traded independently of its location in the system. Do you think that cross-border products will facilitate the exchange of gas between virtual hubs of adjacent markets?

As far as cross-border products are compatible, homogeneous and traded with a harmonized procedure among Member States, they are a means of facilitating exchanges of gas in general and between virtual hubs of adjacent markets too.

Do you support full bundling of cross-border capacity into one single capacity product, including a limitation of the possibility to trade at the border so that gas is traded at virtual hubs only in order to boost their liquidity?

Bundled product to boost liquidity at hubs should be conceived as an additional product, not implying the limitation of the possibility of border trade. The implications of this would have to be considered in much greater depth and in any case existing contracts have to be preserved.

Do you consider combined products to be an appropriate interim step towards bundled products?

Should capacity at two or more points connecting the two same adjacent entry-exit systems be integrated into one single capacity product representing one single contractual interconnection point?

We deem an important step introducing combined products in an interim period since they facilitate shippers' effort to transport gas from one region to another. Bundled products will allow the achievement of a homogenous framework in booking procedures.

Capacity allocation

Should auctions be the standard mechanism to allocate firm capacity products?

What would be the implications of using auctions for capacity allocation in the markets in which you operate? Is there any way in which auctions can be designed to overcome potential issues resulting from their introduction in those markets?

Do you support pro rata allocation as an interim step? If yes, should pro rata allocation only be used in given situations or market conditions?

As far as the auction is a market based process that gives correct price signals of congested points and assesses the interest of operators towards transmission capacity at every interconnections points and consequently towards possible development of the network, we support it to become the standard mechanism.

Re-Marketing Booked Capacity

Should the network code define harmonised firm secondary capacity products and anonymous procedures for offer and allocation of secondary capacity products in line with those on the underlying primary capacity market?

In the Framework guideline ERGEG opts for an alignment of the allocation practice on the primary and secondary markets.

We deem positive the adoption of an anonymous and harmonized procedure based on voluntary auction mechanisms. In our view, re-marketing booked capacity is the preferable procedure to free capacity increasing liquidity in the market.

Booking platforms

Do you think that all capacity connecting systems of two adjacent transmission system operators should be allocated via a joint, anonymous, web-based platform?

A web-based allocation arranged jointly with adjacent TSOs and anonymously gives more transparency and more efficiency to the procedure, minimizing the effort and the transaction costs of shippers.

Do you agree that joint allocation of primary and secondary capacity products on these platforms would strengthen capacity markets?

A joint allocation of primary and secondary capacity products on a common web-based platform will give a complete vision of the capacity available in the IPs, facilitating the booking of capacity.

Trading procedures can benefit either from the introduction of innovative and flexible products to be traded on these platforms or from a reduction of lead time of booking procedures, both allowed by the introduction of web-platforms.

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