



Dear Mrs. Fay Geitona

EREG - European Regulators' Group for  
Electricity and Gas

Milano, 26th October 2010

### **EDISON'S COMMENTS ON ERGEG PUBLIC CONSULTATION ON TRANSPARENCY REQUIREMENTS FOR NATURAL GAS**

#### **WHO WE ARE**

Born in 1881, Edison is one of Europe's oldest energy companies. In 2009, it reported sales revenues of 8,867 mln €, and is carrying out an ambitious investment plan in the electricity and gas sectors. Edison had to diversify its business, when the national monopoly on electricity was established in Italy in 1963. Thanks to the first wave of EU Directives in 1996, it could re-focus its business on energy once again, this becoming the largest new entrant on the Italian market.

With 50.3 TWh produced in 2009, it is now Italy's second largest electricity generator. Thanks to 7,000 MW of new highly efficient and low emission plants (CCGT thermo plants, as well as hydro and wind power plants), the Company has now a total installed capacity of 12,500 MW. In the hydrocarbons business, Edison has an integrated presence in the natural gas chain, from production to importation, distribution and selling, with sales of 13,2 billion cubic meters in 2009.

In 2009 the new LNG terminal in Rovigo started to contribute to the diversification of Italy's supply sources with its regasification capacity of 8 bcm of natural gas a year, equal to 10% of Italy's demand for natural gas. The start up of Galsi and ITGI pipelines will further connect Italy to Algeria and Caspian Sea, two areas rich in hydrocarbons.



Edison welcomes the opportunity to participate to ERGEG consultation on transparency requirements on natural gas and appreciates the work carried out by European Energy Regulators by compiling a list of all existing transparency requirements in gas transmission, storage and LNG.

## **COMMENTS TO THE QUESTIONS**

*1) Do the existing legally binding and soon-to-be legally binding transparency requirements for transmission, LNG and storage satisfy your needs as a market participant? In case your answer is no, please specify what is missing in your view and why.*

Edison shares with the European Commission the idea that in a liberalised and competitive market, transparency is of key importance for ensuring users an efficient access to network. The new transparency rules adopted by amending Chapter 3 of the Annex 1 of the Regulation 715/2009 are taking a step in the right direction. Indeed, detailed information regarding the availability and use of network capacity will allow gas suppliers to identify and seize market opportunities in the short and long-term. Moreover, the rules will considerably contribute to optimising the use of the available network capacity and boost the integration of different gas markets.

Nonetheless, Edison believes that existing legally binding requirements are missing important information that is essential for a market-based balancing mechanism to work efficiently.

In particular, we would like to highlight that the provision of accurate, timely and reliable information on in-takes and off-takes is essential for network users to efficiently manage their nomination and re-nomination process. For this reason, TSOs should provide shippers not only with general information on system in-takes and off-takes (as prescribed by the Regulation), but also with data related to each



entry and supply point belonging to a shipper's portfolio (held confidential), in order for users to carry out accurate forecasts.

For instance, some TSOs currently publish the figures on daily consumption of points supplied by single users on a voluntary basis: given the importance of these data for shippers, imposing their publication could be useful.

Edison therefore recommends the introduction of further transparency obligations, in particular on the figures that are crucial for shipper to carry on the balancing activity. The Framework Guidelines and the future European Network Code on Gas Balancing are, in our opinion, the right acts where introducing these legally binding requirements for transmission.

Finally, we believe that a real improvement of transparency will be achieved only if the introduction of obligations to provide certain information comes with the introduction of standards related to the quality of the information service provided by TSOs. In particular we suggest that Regulators explore the possibility of imposing appropriate quality standards (and associated penalties/incentives) for TSOs and DSOs as concerns the provision of timely and reliable information: that would surely contribute to improve the service offered by network operators.

*2) Are you satisfied with the current level of transparency provided for by system operators? In case your answer is no, please specify whether this is the case due to the lack of transparency requirements or the quality of publication.*

The level of transparency provided by system operators has surely improved in the past years, thanks to the intervention of European Institutions and Regulators aimed at creating the basis for an effective and non-discriminatory access to the market. Nonetheless there is still room for improvement.

We refer in particular to the following information that would be particularly important for system users and are currently missing in the Italian case:



## TRANSMISSION

- 1) Introducing an obligation to publish the self-consumption of transmission compression stations would contribute to enhance transparency on the costs that are smeared on all users.
- 2) Even if the new Annex 1 of the Regulation already represents an improvement, stating that “TSOs shall provide information in downloadable format that allows for quantitative analysis”, users and TSOs could agree on the provision of some elaborations of the data as additional service, subject to the payment of a fee.

## STORAGE OPERATORS

- 3) Interruptible injection/withdrawal capacity could play an important role to allow users to access storage capacity in systems where storage is scarce and access to it is further limited by the existence of Public Service Obligations. For this reason, we believe it is vital for a fair and transparent access to storage, that SSOs publish the criteria that are adopted to calculate available interruptible capacity.
- 4) Following any change in the status of the storage system, the Storage Operator has the possibility to modify (generally reducing) with a few days’ notice the adequacy factors and consequently the withdrawal/injection capacity available. Given the importance of withdrawal/injection capacity as a flexible tool for balancing, it is fundamental that storage operators publish the reasons and the criteria at the basis of this “capacity cutting”.

## ALL SYSTEM OPERATORS



- 5) Besides general procedures relating to interoperability of the network among TSOs, all System Operators should publish, with a coherent timing, the existence of technical constraints for the interoperability of the infrastructures they operate. In this way, users could have a clear and general view of the system constraints characterizing the whole system.

Finally, we would like to recall your attention to the concept in Chapter 3 of the Annex 1 of the Regulation 715/2009, which says that “*the level of detail of the information that is made public shall reflect the information available to the TSO*”. We think that a correct interpretation of this provision should not imply that TSOs passively transpose basic information they get from other System Operators. On the contrary, we believe that TSOs are in the best position to proactively interact with all the actors involved in order to get more detailed information.

It is clear that the investments (in IT systems, etc) made by System Operators to improve the level of transparency should be adequately recovered through tariffs, as ruled in each Member State.

*3) Do the existing voluntary GGP for LNG System Operators<sup>1</sup> and GGP for Third Party Access for Storage System Operators<sup>2</sup> satisfy your needs as a market participant? Do you think that those transparency requirements in the GGP LNG and GGP SSO which are not covered by the 3rd Package should become legally binding?*

The imposition of transparency requirements in the LNG and SSO GGP as legally binding could surely contribute to improve the level of transparency on the market. Nonetheless, we believe that a careful assessment of existing GGP should be carried out before their enforcement as binding.

In particular, we think that a clear distinction should be applied to infrastructures whose capacity has been granted an exemption from TPA. In this case, we believe



that the provision of certain information, such as inflows/outflows and available capacities on a daily basis, could undermine the value of the exempted investment and therefore discourage future investors.

Secondly, we think that particular attention should be paid to the possible publication of commercially sensitive information, such as (again) the amount of gas in storage, inflows and outflows. This data can be particularly sensitive when referred to infrastructures serving a few users, due to the fact that they can be easily elaborated and attributed to single users. To be clear, Edison would like to highlight that transparency should never become information asymmetry. However, we believe that Regulators should be able to strike a right balance between the need of transparency and the right of commercially sensitive information being protected.

For the above-mentioned reasons, we recommend that in case existing GGP LNG and GGP SSO were made legally binding, both of them include what is currently established by GGP SSO n°6: *“User(s) may request the SSO not to publish information about the aggregate use of storage if such publication would harm the commercial interest of user(s). In cases of non-publication, the relevant national regulatory authority will, when requested by relevant parties, review the decision not to publish. In doing so it will balance the commercial sensitivity of information against the public interest for transparency”*.

*4) Do you think that the voluntary GGP for LNG System Operators and GGP for Third Party Access for Storage System Operators shall include further transparency requirements? In case your answer is yes, please specify what is missing in your view.*

See answer to question 2 for additional important information that should be provided by Storage Operators.



*5) Is there an area along the gas value chain (production, transmission, LNG, storage, distribution, wholesale market) where in your view additional transparency requirements are needed? Please specify what you miss in your answer.*

In Edison opinion the achievement of an adequate level of transparency by Distribution System Operators is paramount for the objective of a well functioning gas market. For this reason, provided that TSOs are probably the best players able to coordinate data collection and publication, we recommend the introduction of requirements for DSOs to cooperate with TSOs and to provide:

- timely and reliable ex-post information on final markets, such as the data on offtakes at city gates,
- ex ante information on the composition of the final market (type of consumers, type of consumption, etc).

Due to the fact that this information is particularly important for users to carry on their balancing activities, Edison thinks that the Framework Guidelines and the European Network Code on Gas Balancing could represent the adequate acts to include such provisions.

*6) Do you think that further transparency is required for the production (upstream) sector? If your answer is yes, please specify what is missing in your view, and what specific additional transparency requirements you would want to see? If your answer is no, please explain why.*

Edison believes that ERGEG should further explore the opportunity of introducing transparency requirements for the gas production sector, in particular with relation to unplanned outages and planned maintenance. In our opinion, they would contribute to creating a level playing field between different market operators as well as ensuring similar levels of transparency in both power and gas sectors.