

## **ARERA consultation n. 347/2018 on the allowed revenues for the gas transportation service for the 5<sup>th</sup> regulatory period**



### **EFET comments – 23 July 2018**

The European Federation of Energy Traders (EFET) welcome the opportunity to comment on the ARERA consultation document on the criteria to determine the TSO's allowed revenues for the gas transportation service for the 5<sup>th</sup> regulatory period. Although the majority of the items touched by the consultation are out of scope for the activities of our organisation, we still wish to submit comments and recommendations on specific aspects. In addition, for all the aspects here presented but already touched upon by DCO n.182/2018, we refer to EFET response to that consultation document.

#### **Par. 13.2 – Revenues linked to the balancing service**

EFET would strongly agree with the idea of removing storage capacity from Snam's control. Snam's ownership of storage resources for operational balancing purposes is rather a unique case in Europe. We stress that all storage and flexibility resources for balancing purposes should be available to shippers as, according to the BAL NC, they are the primary balance responsible parties.

#### **Par. 14.1 – Losses, auto-consumption and GNC**

As expressed several times, EFET would agree with the recovery of the above components in monetary terms rather than in kind via a coefficient applied to the natural gas introduced in the transmission network; in addition, we think that more specific comments could be formulated on this part of the documents only once the criteria that Snam will have to follow to purchase gas on the market (related to Losses, ACM and GNC) will be developed by ARERA, as anticipated at par. 14.2.

At this stage, we underline the importance to guarantee a strong transparency concerning the amounts to be recovered over the years, in order to ensure the neutrality of the TSO. Indeed, the values adopted ex ante to determine the charges (as described on par. 14.12), as well as the amount of gas considered will be different from the ones resulting from Snam's actions. This would allow market participants to have a better idea of the impact of tariffs in the following years.

Furthermore, in our view, these costs should be charged to the exit points to foster greater competition of the reference price on the Italian wholesale gas market (PSV). However, as already expressed in EFET response to DCO 182/18 we would disagree to apply the variable charge also to exit points towards storage fields because it would represent an additional burden for storage owners. Furthermore, that mechanism would affect the price formation in the storage auctions and eventually the market.

### **Par. 17.5 - Management of the amounts attributable to previous corrective factors**

We agree with the proposal to use amounts (of a positive sign) relating to the previous corrective factors in order to mitigate the effects on the capacity tariff by 2020. In any case, we suggest to explore further measures in case they are necessary, in order to mitigate the possible effects linked to the expiry of a significant portion of long-term contracts

Moreover, we would like to make the following points:

- the management and coverage of the costs linked to the balancing service should be transparent and kept separate from the regulatory account relating to transportation services
- we seek clarification on the reasons why the transition to the output based model has been postponed. We recommend to clearly define the terms of the transition as soon as possible
- On par. 17.5 we recommend to ensure immediate compliance with the provision at par. 20.2 and 20.3 of the EU Tariff Network Code and limit any type of cross-subsidy, even of transitory nature
- We believe that the principle of cross border cost allocation (CBCA) should be further strengthened and applied
- In order to provide enhanced predictability of tariff levels, we advise to define the best estimate of forecast revenues on the basis of the investments envisaged in the ten-year plan. The estimated ex-ante cost could be maintained for the calculation of the tariffs, and the excess part (between estimated cost and recognized actual cost) could be managed through a variable complementary component for the recovery of revenues (rather than to recover this excess on the capacity component)
- Correction factors: the CMt was introduced on a transitional basis and we wonder how this will be handled in the future. We agree with the introduction of the CVfc, but we point out that such variable factor should be disclosed in advance in order to preserve regulatory certainty and stability.