

AEEGSI consultation Document n. 378/2015/R/GAS on the introduction of an incentive scheme for SNAM Rete Gas in the context of the new gas balancing regime

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EFET comments – 14 September

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide its comments to the consultation document n. 378/2015 on an incentive scheme to be applied to the gas TSO in the context of the implementation of the Gas Balancing Network Code (BAL NC) in Italy. Below, we have provided our feedback on the specific points under consultation:

Incentive mechanism regarding the provision of an accurate forecast for off-takes

EFET believes that forecasts on off-takes related to points directly interconnected with the transmission network shall be included in the incentive mechanism. These represent, in fact, an important share of the overall off-takes, which influence the system's imbalance and are already being forecasted by SNAM. In the light of the above, we propose for the incentive scheme to separately cover the three main categories of redelivery points (those interconnected with distribution networks; power plants – considering coordination with Terna; other direct customers), and apply a separate percentage of incentive to each of them.

We do not support the introduction a greater tolerance in the performance targets to be achieved by the TSO, but we suggest the Authority to introduce different target percentages for each category of redelivery points, accounting for the different level of predictability of each category.

We also ask the Authority to publish the mathematic formula which defines the incentive mechanism.

As regards the proposed target value, we believe it is important to set in advance the principle of gradual improvement of the TSO in the demand forecasting, through a progressive reduction of the target error over the years. We also suggest to consider the introduction of “weights”, so as to penalize more forecast errors related to most critical gas days, e.g. in relation to gas demand or storage withdrawal capacity's availability.

Furthermore, considering that the new balancing regime should be fundamentally based on intra-day trading activity, we consider necessary to introduce an incentive mechanism related to intra-day gas demand forecasts. We propose that the same scheme as described above for D-1 is introduced, considering lower target percentages, given the shorter timeframe of the forecast.

Regarding the timeliness of TSO's publication, we do not agree with the proposal to postpone the introduction of the incentive. Information on the overall status of the system represents an important tool for shippers as this could help in forecasting SNAM's intervention in the market.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org.

Incentive mechanism to promote efficient balancing actions undertaken by the TSO

EFET deems the proposed values, both in terms of €/day and percentage deviation, very difficult to evaluate, mainly because the target deviation should be measured together with the value of the small adjustment, which has not been defined yet, and considering the liquidity of the MGAS which is still unknown. Nonetheless, EFET believes that the proposed percentage is not entirely accurate, as the value could have been evaluated based on the PSV Day-Ahead prices and not on the basis of the PB GAS G-1, as the latter does not necessarily reflect market prices given the restrictions to its participation.

Moreover, in our opinion AEEGSI shall have special consideration for the definition of this mechanism as it could influence SNAM's balancing actions and therefore market prices, especially if it is not matched with an analogous mechanism regarding line-pack (as instead foreseen in Great Britain). EFET supports the prompt introduction of a monitoring process of line-pack variation, in conjunction with an incentive scheme on SNAM's forecast of daily line-pack variation.

Financing of the mechanisms

We agree with the introduction of a "down payment and balance" system to guarantee the incentive mechanisms. However, more transparency shall be given on the overall status of the CCSE's fund.

Effective date and duration of the mechanisms

We agree with the proposal of introducing, from the 1st of October 2015, only the incentive mechanism concerning the information on the overall off-takes of the transmission network. However, the incentive scheme regarding the provision of an accurate forecast for a network user's non-daily metered off-takes should be defined and introduced soon and, in any case, following a first monitoring period (which should start from the 1st of October 2015). With reference to the non-daily metered, moreover, in order to enable users to effectively minimizing the imbalances, network users should have access to more information useful to adopt the same methodology used by SNAM in the monthly gas allocation (M+1, definitive balance sheet). Therefore, we suggest SNAM to publish in advance some of the information already used in its balancing activities, such as i.e. once a month per each redelivery point, the annual consumption with daily details by the profiles (PROF) listed in the Resolution 229/12 and subsequent amendments and additions.

The incentive mechanism on SNAM's economic performance could be reasonably introduced in conjunction with the full implementation of the new balancing regime. We agree with the opportunity of revising the mechanisms after the first year of application.