

## **AEEGSI consultation n. 413/2017 on the 5<sup>th</sup> regulatory period for gas transportation tariffs**

### **Shell response**

#### **General comments**

Shell welcomes the start of the implementation of the EU Tariff Network Code (TAR NC). This will enhance the level of transparency and promote cross-border trade and market integration, while offering an opportunity to address concerns specific to the Italian market. Overall, we expect the process to contribute to reducing the regulatory risk in Italy. Considered its the process, we make ourselves available to discuss further and reach the best outcome possible on the relevant matters.

#### **S1. Osservazioni in merito agli obiettivi generali dell'intervento dell'Autorità.**

In general, we believe that the list of principles is the correct one. However, we think that maximizing the efficient use of the transportation system should be leading and guiding the way other principles are followed and implemented.

At the same time, more emphasis should be put on transparency. The Code is very precise in establishing a robust consultation process and a timely and transparent tariff setting process. This will make real improvements in the degree of understanding and the level of trust associated with the tariff setting methodologies used by TSOs throughout the EU. In this respect, unfortunately we note that the consultation document fails to refer to the entirety of the relevant provisions of the EU TAR network code, for instance by not referring to the obligation imposed on TSOs to make available to market participants a tariff model (please see question 2) or to the obligation to hold consultation in English.

Last, we notice that the consultation document at par. 6.3 states that gas demand in Italy could keep on reducing, while for instance the projections presented by MiSE in the draft National Energy Strategy plan (SEN) predict a stable gas consumption. A unified view would help generating the correct expectations also on tariff evolution as flow patterns and flow volumes do matter in this respect.

#### **S2. Osservazioni in merito alla decorrenza del quinto periodo di regolazione e del processo di consultazione previsto.**

Shell appreciates the publication of a detailed timeline of activities foreseen for the full implementation of the TAR NC by AEEGSI in the immediate coming years. However, we notice that an important transparency element is missing from the published timeline, namely the provision at par. 30.2(b) of the TAR NC according to which it should be published “at least a simplified tariff model, updated regularly, accompanied by the explanation of how to use it, enabling network users to calculate the transmission tariffs applicable for the prevailing tariff period and to estimate their possible evolution beyond such tariff”.

We believe this simulation tool needs to be published for the sake of full transparency and application of the Code. We therefore call AEEGSI to disclose details over the expected timeline for its publication.

#### **S3. Osservazioni in merito all'evoluzione delle misure per la compensazione del lag regolatorio.**

Please see relevant statements below and the considerations on the need of a thorough impact assessment.

#### **S4. Osservazioni in merito alla remunerazione del capitale investito riconosciuto.**

We do not have any strong view on this but we do notice that the  $\beta$  asset value will remain unchanged, while we understand its update was foreseen in previous AEEGSI's publications. This said we would have appreciate having the opportunity to rely on a solid benchmarking exercise referring to similar parameters in other European markets to be able to expressed a fully informed opinion.

#### **S5. Osservazioni in merito all'incentivazione per i nuovi investimenti.**

Shell supports the move to an output based remuneration for investment, as this would encourage a more careful and meticulous approach when planning. This said, more transparency regarding investment projects, especially for the part related to costs and expected/realised returns, would already be welcomed.

The newly introduced incremental capacity allocation mechanism (as amendments to the CAM code) makes transparency a fundamental requirement. Incorrect or incomplete information in this regard could in fact generate biased, or suboptimal, or discriminatory allocation outcomes.

#### **S6. Osservazioni in merito agli obiettivi di recupero di efficienza.**

Shell agrees with AEEGSI proposal. In general, we support measures which incentivize TSOs' efficiency. The merit and the efficacy of the incentives thou will depend on the details which we remain keen to understand and discuss in the future months.

#### **S7. Osservazioni in merito all'aggiornamento del corrispettivo unitario variabile**

Shell believes that AEEGSI should provide an impact assessment for each of the proposals. Without such assessment, any opinion would have to remain general and of limited use. In this respect, we note that best practices do exist in Europe, possibly with last year CRE's consultation for the French transportation tariff being best in class.

#### **S8. Osservazioni in merito ai corrispettivi tariffari e alle quote percentuali di autoconsumo**

In line with the stated intention to increase liquidity on the wholesale market and improve cross-border trade, we generally agree on the opportunity to shift from a 50:50 entry/exit split to a 40:60 one. However, we feel that there is need for further analysis on the outcome (please see answer 7), also considering the flow scenarios that may be considered to derive the tariff level going forward. Also, one would say that considering that:

- other adjustments are being proposed, e.g. the inclusion of the regional networks into the entry/exit tariff;
- AEEGSI maintains the objectives of supporting convergence towards other European hubs and increasing the attractiveness of the Italian market;

in fact, the proposal appears rather timid. Against this backdrop, a 70:30 or even an 80:20 split may be more effective. We note that following a similar logic it would make sense to move all variable coefficients currently remaining at the entry points of the system (CVFG e  $\phi$ ) to the exit points.

In light of the new export capacity becoming available, we also agree with the approach described in point 9.19 used to consider the relevant flow levels for 2018 and 2019. We appreciate the attention given by AEEGSI to ensure regulatory stability and we take the opportunity to state that the same level of attention is expected

when dealing with other matters, like the gas balancing settlement procedure for past and future periods. Consistently, we would like to know that AEEGSI intends to refrain from any form of retroactive regulatory intervention, being that on tariffs or any other aspect.

As for the inclusion of regional networks, in principle we could accept and understand the proposal. However, without a proper impact assessment we are obliged to partly suspend our judgment. Please note that this statement is to be intended as a reply valid for all the below questions that are being left unanswered.

We do hope that such assessment will be part of the discussion leading to the conclusive consultation on the tariff methodology for the 5<sup>th</sup> regulatory period, currently foreseen for October 2018.

Finally, we believe that more clarity with respect to how the definition of “transmission services” provided in the EU network code is going to be interpreted by AEEGSI would be very helpful.

**S9. Osservazioni in merito alle tempistiche per l’approvazione e pubblicazione dei corrispettivi.**

We regard the timeline provided as compliant with the TAR network code.

**S10. Osservazioni in merito alla durata del periodo di regolazione.**

**S11. Osservazioni in merito alla definizione di servizio di trasporto ai sensi del Codice TAR.**

**S12. Osservazioni rispetto ai servizi forniti da un’impresa di trasporto che non si configurino come servizio di trasporto.**

**S13. Osservazioni in merito ai criteri di riconoscimento dei costi per il SPRT.**

**S14. Osservazioni in merito alla metodologia dei prezzi di riferimento per il SPRT.**

**S15. Osservazioni in merito alla ripartizione capacity/commodity per il SPRT.**

For questions from 10 to 15 please see relevant statements above and the considerations on the need of a thorough impact assessment.

**S 16. Osservazioni in merito agli aggiustamenti dei corrispettivi di trasporto relativi a impianti di stoccaggio e impianti di Gnl per il SPRT.**

Shell shares AEEGSI’s proposal at par. 14.17 to increase to above 50% the discount on transportation tariffs applied to storage capacity entry/exit points on condition that it does not generate additional costs for the system.

Equally, we strongly favor the reduction of entry tariff from LNG terminals. This would be consistent with the analysis shared by AEEGSI to back the introduction of auctions for the allocation of regasification capacity. It would also match the stated intention to improve liquidity at the PSV, contribute to security of supply and ensure an efficient use of LNG terminals, ultimately relieving consumers from financing infrastructure that would otherwise remain unutilized.

**S 17. Osservazioni in merito al trattamento delle reti di trasporto non interconnesse con la rete di trasporto nazionale per il SPRT.**

Please see relevant statements above and the consideration on the need of a thorough impact assessment.

**S 18. Osservazioni in merito al servizio di misura, e in particolare in merito a: (A) la possibilità di trasferimento della titolarità degli impianti di misura dal cliente finale al gestore di rete; (B) eventuali criticità di implementazione delle soluzioni prospettate; (C) eventuali criticità relativamente all'applicazione di una tariffa differenziata per punto di riconsegna.**

With respect to the proposals on the measuring services, Shell is generally supportive but we believe that a few elements (i.e. with respect to the process that will lead to Snam's acquisition of the measuring cabins) are missing for a definitive response. We are confident that an open and transparent dialogue on these aspects will allow to identify the appropriate solution.

Finally, we take this opportunity to draw the attention to a possibly less visible but very important operational aspect. We note that the implementation of Delibera 542/2016/R/gas remains incomplete and market operators have not yet been informed on:

- whether capacity calculation in energy units at all points of the system will be introduced for the next gas year;
- alternatively, what will be the conversion methodology to refer to for the conversion of the current coefficients.

Whatever the decision in this regard will be, we emphasise the need to proceed as soon as possible, and in any case not later than the end of the summer, to allow all companies to adjust in a timely manner and ensure an orderly allocation process.