

**1. Osservazioni in merito alla durata del periodo di regolazione, con particolare riferimento all'opportunità di prevedere un periodo inferiore, di durata triennale, a cui potrebbe essere associata l'ipotesi di introdurre schemi di regolazione orientati alla logica totex nel periodo regolatorio successivo.**

With respect to the length of the regulatory period we believe that a reduction to three years would contribute to regulatory instability. Hence, we do not favour the proposal.

In general, the focus should be on a sound consultation processes leading to decisions based on cost-reflectivity and allowing an efficient use of existing and future infrastructure.

Consideration for tariff developments occurring in neighbouring markets should also form part of the elements underpinning the decisions.

**2. Osservazioni in merito ai criteri di riconoscimento del costo.**

We do not have material observations other than noting that use of incentives should always be balanced with the use of mirroring disincentives applicable in case of underperformance.

Equally, what is expected to be in the scope of the activities of a prudent and efficient operator should not form part of an incentive scheme, but rather be considered as inherent to the TSO's mission.

In our mind an example of undue incentive would be for instance the inclusion of the value of public funding in the definition of the regulated asset basis (please see answer to Question 3).

**3. Osservazioni in merito ai criteri di determinazione del capitale investito riconosciuto.**

With respect to the definition of the regulated asset base we would like to bring to your attention two elements:

- We recommend special care when considering ongoing investments. To the extent possible, full transparency on the development costs and schedule should be available to the market. Market players should in fact be in the condition to evaluate when additional capacity becomes available and possibly how this may impact future tariffs. Also, system operators should face penalties in case of delays that are not caused by aspects beyond their control;
- We struggle to understand the rationale behind the proposal to include public funding as this would constitute a double benefit for TSOs. Seeking forms of financial support for regulated activities should occur to the sole benefit of end users.

**4. Osservazioni in merito al tasso di remunerazione del capitale investito riconosciuto, e in particolare in merito alla definizione del  $\beta$ asset.**

We agree with the analysis performed and with the proposal to leave the  $\beta$ asset unchanged for the next regulatory period.

**5. Osservazioni in merito alla determinazione della quota di ammortamento.**

We agree with the observation that reducing the depreciation period of the regulated assets, by increasing the tariff level, may have unintended consequences.

Rather than accompanying the energy transition, increasing the costs for network users in the shorter term may lead to displacing natural gas before alternative energy carriers become available at affordable prices and hence force system operators to write assets off before the end of their useful life. Considering the positive prospects of developments around biomethane and other low/zero emission gases in the Italian gas market, this may be a very undesirable outcome.

We welcome the proposal of the Regulator to ask system operators to publish a state of the art of existing infrastructure to ensure that new investment is carried out in the most efficient way possible.

**6. Osservazioni in merito alla determinazione e aggiornamento dei costi operativi riconosciuti.**

With respect to the definition of allowed revenues linked to operational costs we struggle to understand why incentives in case efficiency targets are achieved are not matched by disincentives of comparable size in case of failure to meet the targets.

With respect to the activation of the Y coefficient – set to adjust the allowed operational costs to unexpected costs due to the emergence of unforeseeable events or to changes to the regulatory framework – we invite the Regulator to ensure that this does not lead to excessive and/or sudden unmanageable cost increases for network users, neither it becomes a way to create undue cross-subsidies among different network users.

The utmost transparency should be used in allowing such activation.

**7. Osservazioni in merito ai costi relativi al sistema di Emission Trading.**

We agree that the costs related to the ETS should be recognised as part of the operational costs and find the approach suggested to do so reasonable.

**8. Osservazioni in merito al trattamento delle perdite di rete, autoconsumi e gas non contabilizzato.**

We are concerned about the vagueness of the proposal on the value to attribute to the volumes procured by the TSO to cover auto-consumption, losses and non-accounted gas and recommend using the actual purchasing price of the relevant volumes to ensure, not only cost reflectivity, but also full transparency with respect to the operator's procurement activities.

We find reasonable to protect the TSO from the price risk linked to these activities. We also find reasonable that the volume risk is also covered, but only with respect to auto-consumption as the level of gas consumed to this end is in good part beyond the control of TSO.

**9. Osservazioni in merito ai criteri di incentivazione.**

We agree with the proposal to address any incentive regulation linked to the role of biomethane and green gases in dedicated public consultations.

However, we anticipate that we do not support any preferential treatment of Power to Gas (PtG) and Biogas through the disapplication of entry capacity tariffs for these technologies. Free entry capacity for specific types of technology will lead to a tariff increase at other grid points. Differently, we urge for a technology neutral approach to tariffs to ensure that all options to decarbonise gas (e.g. hydrogen from natural gas) can compete on a level playing field.

We believe that zero entry capacity tariffs for gas from electrolysis processes and biogas facilities leads to a market distortion and risks unduly disadvantaging other low carbon technologies.

#### **10. Osservazioni in merito ai ricavi per il servizio di bilanciamento.**

We agree with the approach suggested to limit the inclusion in the TSO's storage related balancing costs to the sole peak withdrawal capacity for hourly modulation. This is consistent with the regulatory developments implemented in the balancing regime.

We remind the Regulator that in the most recent ACER Monitoring Report for the Implementation of the Balancing Network Code Italy was flagged as an outlier both in terms of balancing costs – too high – and with respect to the role – too active – of the TSO. Special care in limiting costs arising from these activities should therefore be implemented.

While we do not have strong views on whether it is appropriate to cover balancing costs via transmission tariffs, we invite to use maximum transparency on the amount recovered via the CVfc to this end. Also, we note that other European regulators have interpreted the TAR network code in a way such that balancing costs must be recovered by a self-standing charge.

#### **11. Osservazioni in merito ai criteri per la determinazione del vincolo sui ricavi per nuove imprese.**

No specific comment.

#### **12. Osservazioni in merito all'identificazione ai fini tariffari dei servizi forniti dalle imprese di trasporto e alla definizione del servizio di trasporto.**

We generally agree with the approach indicated and refer to relevant comments on specific issues made in responding to other questions (e.g. on balancing cost).

#### **13. Osservazioni in merito al perimetro di applicazione e al driver del corrispettivo per la copertura dei costi variabili.**

While we generally agree with the proposal, we would like to bring to your attention two critical points:

- It is understood that the commodity charge should be used primarily to recover relevant operational costs. However, we note that in your proposal the CV is applied also in the case of virtual flows, both in the case of exit points towards storage and

exit points to neighbouring countries. For a consistent application of the charge we suggest excluding it in these cases;

- We note that applying the CV to exit points towards storage facilities would increase the cost of flexibility, have a negative impact on the ability of the market to respond to price signals, and exacerbate the summer/winter spread. Also, it must be noted that the CV applied to gas in storage would constitute a form of double-charging. Some of TSOs' costs, such as compressor gas and operating margin gas, are not (arguably) driven by the operation of storage facilities, so they should not be applied to storage. Some storage operators would go so far to state that storage does in fact decrease the need for compression. On this basis, we would like to invite you consider applying this charge to other exit points only.

#### **14. Osservazioni in merito al corrispettivo complementare per il recupero dei ricavi.**

As if the CVfc were to be applied to exit to storage this would lead to a double-charge on storage (i.e. the charge for the same volumes has originally been paid on entry into the gas system), consistently with observations made in response to Question 13, we would like to invite you to consider the application of the CVfc to the exit points to end users only.

Also, we understand that in your proposal the missing revenues expected in application of the so-called reshuffling mechanism would be recovered by increasing the capacity component at all the points of the system.

This is the consequence of considering the missing money – caused by some shippers moving forward in time the use of capacity that they have already paid in the past – as factored in the tariff model by artificially reducing the forecasted booked capacity for the relevant years.

You may recall that Shell, in chorus with different traders' association, strongly criticised the reshuffling mechanism, among other reasons, because it came with the risk for the TSO to be left with a revenue gap.

To limit the impact of the reshuffling on importers that were not able to benefit from the mechanism, it would be appropriate if the resulting revenue gap were closed using the tariff component having exactly this role, i.e. the CVfc.

#### **15. Osservazioni in merito alla ripartizione entry/exit.**

We do not have observations on the entry/exit split other than those made in responses to previous consultations. However, we would like to invite the Regulator to consider decisions on the tariff structure that may be taken in other EU Member States and that may end up neutralising some of the positive effects of the Italian tariff methodology reform, contributing to insulating the PSV from other more liquid European hubs.

Also, although not in scope for this consultation, to limit changes to those strictly necessary to increase the attractiveness and the well-functioning of the Italian gas market, we do not deem necessary at the stage to move the CVfg away from the entry points to the system.

#### **16. Osservazioni in merito alla metodologia dei prezzi di riferimento basata sulla distanza ponderata per la capacità.**

We do not have specific observations on the choice of the methodology. However, we would have appreciated more clarity on the usability of the simplified tariff model and on the choice of some of the input therein used.

As an example, we would like to point at the values of table 10 on the relevant parameters for the main entry points. The table attributes to the Tarvisio entry point a 2017 average daily flow of 30,1 MSmc, corresponding to almost one third of the actual value.

We also note one material consequence of the choice of the selected methodology: in an attempt to achieve a quasi-full equalisation of the tariffs at all entry points, the proposal neutralises the positive effects that came from the use of auctions – with a lower than the regulated regasification tariff reserve price – for the allocation of regasification capacity at regulated Italian LNG terminals.

This possibly unintended outcome could be mitigated by introducing a discount to the entry tariff from LNG Terminals, motivated by the security of supply role played by LNG in Italy, acknowledged inter alia by the continued use of the peak shaving service.

Alternatively, following the model used in the storage capacity auction, the pricing of the system entry capacity could be paid by the terminal operators and partially recovered via terminal users' bids, the remaining allowed revenues being recouped via the CVfg.

Also, we would like to question the argument that LNG and piped gas should compete on a level playing field when it comes to entry tariffs to the national network. Deliveries of LNG are in fact driven primarily by exogenous factors, i.e. LNG global supply/demand balance, and not by the cost of transmission.

Levelling entry tariffs from LNG terminals will not put piped gas in competition with LNG. It will simply reduce the ability of the Italian market to attract cargoes when LNG is already being pulled towards Europe.

**17. Osservazioni in merito agli aggiustamenti dei corrispettivi di trasporto.**

**18. Osservazioni in merito alla metodologia dei prezzi di riferimento.**

Please see previous answers.

**19. Osservazioni in merito a moltiplicatori, fattori stagionali e capacità interrompibile.**

We strongly disagree with the decision to apply multiplier to short term capacity at entry points from LNG terminals and at exit points towards neighbouring countries.

The role of multipliers is to function as an incentive to prefer long-term booking versus short-term booking. Current market conditions – with the LNG market mainly driven by the global demand-supply outlook and Italy far from being a transit country – are such that a decision to import LNG and/or export natural gas towards a neighbouring market is inherently based on short-term considerations.

Applying a multiplier in this situation makes such decisions simply less likely to happen, while doing nothing to drive network users towards long-term bookings.

20. **Osservazioni in merito al trattamento tariffario delle reti di trasporto non interconnesse con la rete di trasporto nazionale**
21. **Osservazioni in merito all'articolazione tariffaria del servizio di misura.**
22. **Osservazioni in merito ai criteri di perequazione dei ricavi.**
23. **Osservazioni in merito alla gestione a regime dei fattori correttivi.**
24. **Osservazioni in merito alla gestione delle somme riconducibili a fattori correttivi pregressi.**

On all the above matters we support the proposals put forward by the Regulator.

**25. Altre osservazioni.**

Taking into consideration the Regulator's statement in point 21.4 of the consultation, we believe that the elimination of the fees for the exit areas and the application of a single change and booking procedures for (exit)+(redelivery) points must be consequent to the definition of a single "bundled" product, not foreseen until the full implementation of the SII.

A transitory period should therefore be introduced consisting in maintaining the current regime, i.e. separate charges for exit and redelivery, at least for the whole of the gas year 2019/20, providing for the application of "new" single charge not before October 1, 2020.