

19 September 2022

EFET response to ARERA consultation 336/2022 on tariff regulation criteria for the natural gas transportation and metering service

ARERA consultation 336/2022/R/gas contains the proposed guidelines of the Authority on the incentive and efficiency criteria for the operation of the gas transport network (following consultation documents 616/2021/R/gas and 213/2022/R/gas).

In Chapter 5, ARERA expresses its orientation on the treatment of the revenues deriving from the participation of Snam's dual fuel compressor stations, as passive users, in the Ancillary Services Market (MSD).

Key messages

Snam participation in the MSD should comply with unbundling requirements

Current unbundling rules provide for the separation of regulated monopoly system operation from all the other competitive activities in the sector: **regulated entities making investments should not make investment or operate infrastructure which could be developed through competitive arrangements.**

We understand from consultation 336/2022/R/gas that Snam - *an infrastructure operator without investment risks and remunerated with tariffs* - would enter into competition with market participants - *who offer the same services but with assets and revenues 'at risk'*.

We remind ARERA that Snam would have privileged information compared to other market participants - such as gas prices and MGP electricity prices - thus being able to carry out risk-free arbitrage.

Furthermore, we understand that **the conditions proposed by ARERA for Snam participation in the MSD would be different from the ones applied to regular market participants due to:**

- *"Priority call rule"* according to which Snam is prioritised over other market participants
- Remuneration at a different price (MGP) than the one it offers for the service (null price) unlike the other MSD participants

Snam participation under the current conditions damages the well-functioning of the MSD

We believe that the proposed measures are not sufficient to sterilize the distorting effects on competition and Snam participation to this market would be potentially counterproductive due to the following effects:

- **Reduction of the market space for all other market participants** with different technologies in favor of an infrastructure operator operating dual fuel compressor stations only
- **No correct application of the cost reflectivity principle** which should "reward" the most virtuous technologies that emerge from the market and not choose a technology on the basis of an administrative decision. This risks further exacerbating the costs in the consumers energy bills

ARERA should review the procedures for the management of dual fuel compressors and their operation on the MSD

EFET encourages ARERA to provide functional measures to cancel, or at least mitigate, the possible outcomes identified above and more in general any possible risk of discrimination and distortion of competition.

For example, the management of dual fuel compressors to operate on the MSD could be entrusted to a third party through a competitive tender.

In the case Snam's dual fuel compressor stations are granted participation in the MSD, although it would not be the optimal option, we believe that:

- Snam should offer - and consequently be remunerated - at a **price defined on the basis of a correlation criterion with the price of gas**
- The **"priority call rule"** should be removed in order to limit the distorting impacts of Snam offers on the MSD