

**Eni Gas & Power's response
to
ERGEG's Consultation Paper on Gas Regional Initiative Coherence and
Convergence**

Introduction

Eni Gas & Power agrees on the aim of the consultation, recognizing the importance of monitoring solutions developed in ERGEG GRI work groups. Coherence and convergence within Gas Regional areas has to be considered a priority step towards the development of a single European Gas Market.

It's therefore fundamental, for Gas Regional Initiatives to direct their efforts, right from the start, towards common or at least consistent measures.

For this reason, in our vision it would be important that coherence and convergence of works in progress and solutions were monitored when discussed. To do this, each Regional Group should be aware of what is discussed and adopted in other Groups in the main area of intervention and a super partes team should follow and coordinate the works in order to guarantee the adoption of a common framework.

Responses to the main consultation questions

- Introduction -

Question 1: Do you agree that there is sufficient consistency in the common priorities that are being looked at across the three regions to ensure that no real barriers are being created for the future integration of the regions? If not, please explain why.

Eni Gas & Power agrees that the common priorities that have been underlined as common priorities across the three Regions are consistent and cover the issues that it's necessary to discipline and to guarantee a correct functioning of a single European Gas Market, avoiding the creation of barriers. It could be useful, in order to perceive the convergence of Regional solutions, to share, in addition to the common priorities, for each priority a set of shared principles or measures, taking into account a minimum convergence level of the solutions that are being developed among Regions.

Question 2: Given the factors outlined above do you agree that the issue of coherence and convergence within regions than between regions is more important as first step? If not, please explain why.

Taking into account the differences existing in rules, market features, degree of development, it's sharable that the first step towards a single European Gas Market is to adopt common solutions within countries that, showing similarities and geographical nearness, have been brought together in Regional areas. It has to be considered that the

first step has to be preliminary to the final objective, identified in the creation of a common European Gas Market. Nevertheless it would be useless to adopt and make efforts to implement solutions that in a second step should be totally modified.

Question 3: Do you think there are similarities and/or interactions between electricity and gas sectors that should specially be taken into account when assessing the coherence and convergence level among regions? Please, specify witch similarities and/or interactions that should be taken into account

No comment

- Interconnection and capacity -

Question 4: Do you think that the approaches being taken across three regions towards interconnection and capacity are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently.

We favour mechanisms that could incentive a real secondary market of capacity. Even if the approaches are different, in the NW region, day ahead auction of capacity, and in the SSE, a standard bulleting board for trading, there should be a set of minimum common principles that could lead in the future to avoid any divergence among regions and can assure the right functioning of a single European Gas Market. The platform of primary and secondary capacity should guarantee the possibility of bilateral agreements and auctions for the secondary market and in the NW and South regions the day ahead auction pilot project should be developed in order to avoid any conflict with the use of a platform of capacity. These could assure in future the same opportunity for all the regions to use efficiently capacity and to avoid barriers between the regions.

Moreover the SSE initiative of One-Stop-Shop is a first step towards a unique market. All the regions should move in this direction with similar projects in other to reduce to a minimum level the barriers in entrance to the relative markets.

- Transparency -

Question 5: Do you think that the approaches being taken across three regions towards transparency are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently

Eni is in favour of all the initiatives regarding transparency and do not see any problem of integration among regions on the issues proposed, except for the “swap of inventory and capacity” regarding storage. In the application of the GGPSSO there are still some different aspects in storage systems (regulated or negotiated access, duration of storage contracts, allocation of storage capacity, usage of storage and type of storage). So why regarding the type of existing storage, we need clarification about the meaning of “swap of inventory and capacity”

referred to strategic storage and modulation services and to the principles of reciprocity among regions and relative costs.

These principles, if adopted, need an harmonisation of storage rules and a share of security of supply costs.

Question 6: Do you think there would be benefits in rolling out the guidance on “less than 3” to the other regions? If so, are there any regional differences that should be taken into account?

No comment

- Interoperability and balancing -

Question 7: Do you think that the approaches being taken across three regions towards interoperability (including balancing) are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently.

We think that the IPA and OBA of the SSE region are not in contrast with the balancing rules proposed by the NW and South regions.

Question 8: Do you think the development of a regional entry exit system in the South – South East region will lead to any difficulties of convergence with other regions at a later stage? If so, how could these be overcome?

We think that an Entry Exit system is the most efficient mechanism to avoid barriers in entrance to different markets.

It would be useful if similar initiative could be taken in the NW and South regions as a first step to a unique and homogenous European Gas Market.

- Development of gas hubs -

Question 9: Do you think that the approaches being taken across three regions towards the development of gas hubs are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently.

We think that the different approaches undertaken at a regional level, combined with other initiative regarding harmonization of rules (balancing, allocation of capacity, development of a secondary market of capacity ..), are sufficiently consistent to avoid problems for the integration of the three regions in the future.

Question 10: Do you think that the more regional approach to developing hubs in the South – South East region will lead to any difficulties of convergence with other regions at a late stage? If so, how could these be overcome?

We are in favour of all the solutions regarding development of hubs that could bring to a more liquid Regional Market and in the future to a more liquid European Market. The different initiatives, due to physical conditions and market conditions, are a first step toward a efficient and effective European Market.

In our vision hubs conceived as Balancing Points and hubs conceived as effective Gas Stock Exchange, although different, have to be considered consistent solutions and both suitable for achieving, in different ways, a more liquid market.

The creation of hubs as Balancing Points could be the right and the most efficient instrument to address the harmonization of balancing regimes, a fundamental point to solve, in view of a single regional and then European Gas Market.

For this reason the establishment of hubs as balancing points should be considered the first step to create effective conditions for liquid gas exchanges in the European Market.

Initially hubs should be conceived as balancing points ex post where, in other words, operators are allowed to compensate their imbalanced gas positions once they know them. In fact nowadays different balancing and metering regimes in force in the different Member States are not consistent and don't allow daily knowledge of gas allocations.

To support this kind of development, could be introduced adequate incentives, for example reducing balancing penalties for users who decide to trade their imbalance in the hub.

In the main time, it should be important to develop and harmonize metering regimes (ways and timetable) that are strictly interdependent with gas allocation and balancing, with the aim of developing afterwards more liquid and efficiently functioning hubs balancing points (daily consistent balancing regime).

The interaction between balancing hubs would, gradually and with the increase of liquidity transactions, allow to identify a market price signal of imbalance that would constitute the common reference imbalance price.

Moreover the implementation of a common balancing regime through balancing hubs would allow to restrict and optimize the use of storage, creating the conditions of increasing the gas storage reserves available to face climate emergence situations.

Considered the feature of an hub conceived as a balancing point, it should function on the basis of common regulatory rules that on the one side should guarantee non discriminatory third party access, but on the other side should allow transactions on the basis of market mechanism and let them to operate without constrictions.

The creation of hubs as an effective Gas Stock Exchange can instead be viewed as an additional measure to be developed in parallel with balancing hubs or as a further development of them.

However a Gas Stock Exchange, in terms of physical point of exchange, when implemented, should be established taking into consideration the following principles:

- it's necessary to avoid a speculative use of hubs by operators that could sell gas without effective gas availability in storage and that would use, in a speculative way, strategic storage reserves. It should be granted by:
 - specific procedures to admit operators to sell or buy in the hub, verifying the ownership of adequate features, first of all in terms of gas availability, financial and technical ability;
 - defining suitable penalty mechanisms.

- It should be useful to define, initially, not compulsory contractual schemes, disciplining general conditions of the transactions. The introduction of standard contracts, if on the one side should favour decreasing transaction costs and contractual transparency and simplifications, on the other side would risk, if compulsory, to deter evolved operators who could prefer defining contractual contents on a negotiation basis. Only in a further moment could be necessary to enforce compulsory contractual scheme

In order to increase liquidity we favour, in addition to physical hubs, the development of financial ones where trading gas derivatives instruments. Gas Financial hubs could be gradually developed, at an European level, on the example of the existent ones.

Question 11: Do you think there would be benefits in the MoU being rolled out across the other two regions – or are there adequate arrangements already in place? If it was rolled out would there be any barriers to doing so and how could they be overcome?

We think that MOU is an important step to fill up regulatory gaps and to harmonize regulation between countries and regions. The MOU should be done on a European level not just on a regional level in order to avoid any divergence on the later stage of the three region integration.

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