



Consultation document no.06/2016

Natural gas market

**Natural gas balancing pursuant to *former* AEEGSI's Resolution
312/2016/R/GAS: implementation of the regime phase**

1. Introduction

By Resolution 312/2016/R/GAS of 16 June 2016, the Authority for Electricity, gas and water system (AEEGSI) implemented the regulatory provisions which allow for the full implementation- in the particular national context - of the provisions of the (EU) Regulation No. 312/2014 of 26 March 2014, by which the Community legislature set up a *network code relating to the gas balancing in the transport networks*, in order to harmonize, at European level, the relevant standards and encourage the use by the users of the network with market mechanisms to efficiently balance their portfolios.

In particular, the national regulator defined in a single regulatory text, called "Integrated Text of the gas balancing(TIB)", the implementation aspects of the "new balancing regime" - which replaces the previous balancing system, the so-called "Simplified regime", regulated by the AEEGSI's Resolution ARG/gas/45/11 and subsequent amendments and integrations - and, mainly:

- the intervention criteria of Snam Rete Gas in the supply, within the market regulated and managed by GME (MGAS), of the *title and locational* products for system gas balancing;
- the procedures for integration, again as part of the MGAS, of the Snam Rete Gas resources used for gasbalancing;
- the method of dispatching the gas storages held by Snam Rete Gas and the regulation of volumes thus handled in a special session of the MGAS;

as well as the opportunity for the Head of the balancing to purchase gas volumes, other than those provided by the TIB, through the purchase and sale of stored gas, always within the MGAS (art. 7, paragraph 7.1 of Resolution 312/2016/R/GAS).

Considering that the Head of the balancing has to act within the MGAS, the definition of the new gas balancing structure determined the need to adapt the provisions governing the MGAS operational mechanisms, in accordance with the provisions of Resolution 312/2016/R/GAS.

Indeed, while tracing the path of the actual introduction of the "new" gas balancing regime, the AEEGSI – in order to enable a smooth transition towards the establishment of a single platform for balancing and in order to reconcile the startup timing of the new gas balancing system, fixed at 1 October 2016, with the necessary timing for the complete adaptation of the regulatory framework - defined a phased approach, divided in two phases:

- the first phase, the so-called transitory, implemented on October 1, 2016, which provides that only the supply of *title* products by Snam Rete Gas takes place on the MGAS, while the session for trading of *locational* products and that for the regulation of gas volumes handled by storage

are carried out as part of the PB-GAS which, adjusted appropriately, therefore remained and will remain in operation during this transitional period;

- the second phase, the so-called of regime, which provides for the transfer of trades of *locational* products, as well as those relating to the adjustment of the gas volumes handled by storage within the MGAS and the consequent final termination of the operating year of the PB-GAS.

As known, in the implementation of the provisions of Article 2, paragraphs 2.2 and 2.3, of Resolution 312/2016/R/GAS, GME adjusted its forecasts, respectively, of the PB-GAS Rules and the MGAS Rules, according to the *procedure* of the urgent amendments, in order to acknowledge the functional requirements at the start of the transitional phase of the new gas balancing structure.

In particular, since the gas-day October 1, 2016, the new version of the MGAS Rules came into force, as well as that of the PB-GAS Operating Rules, reconfigured the latter through the replacement of the preceding "G -1" and "G + 1" segments with, respectively, the market of *locational* products (MPL) and the regulated market for the trading of stored gas (MGS).

In view of the transition to the regime phase, this consultation document allows GME, under Article 3, paragraph 3.5, of the MGAS Rules, presenting and specifying the market participants the new structure of the gas market (MGAS) which will result following that transition.

Without prejudice to the main objective of this consultation document, this opportunity allows GME submitting to the assessment of the stakeholders also other proposals to amend certain aspects concerning the operation of the MGAS, not strictly related to the new gas balancing, and therefore feasible even in a time after its startup, which is believed to be revised in the light of what has been observed on the market, as well as the changing environment arisen following the start of the new gas balancing regime.

Stakeholders are invited to submit their observations in relation to what described herein, as well as to indicate further issues they consider priorities for the implementation of the gas balancing regime phase.

Such remarks must be submitted in writing to GME - Institutional Relations and Communication, no later than **December 22, 2016**, end date of this consultation by one of the following ways:

- e-mail: info@mercatoelettrico.org
- fax: +39 06.8012-4524

➤ mail: **Gestore dei mercati energetici S.p.A.**

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Those wishing to safeguard the confidentiality or secrecy, in whole or in part, of the documentation submitted are required to indicate which parts of their documents shall be treated as confidential.

2. Implementation of the regime phase of the new gas balancing system

Passage from the transitional phase to the regime phase will imply the redefinition of the gas market (MGAS) structure in which, as established by AEEGSI's Resolution 312/2016/R/GAS, the market for the trading of *locational* products (MPL) and the market for adjusting the quantities of gas moved from storage (MGS), currently organized (on a temporary basis) within the PB- GAS, will have to be managed.

Consequently, with the start of the regime phase - whose starting date will be identified in consultation with AEEGSI and Snam Rete Gas and communicated by GME to market participants with a reasonable period in advance - will cease definitively the operation of the PB-GAS, in accordance with the provisions of 312/2016/R/GAS Resolution.

Although the transition to the regime phase materializes, therefore, the migration of the MPL and MGS markets with current operating mode and trading procedures under the MGAS, in particular in the spot gas market (MP-GAS), indeed the introduction of these two markets in the current MGAS structure entails the need to also review certain aspects of the MGAS system as a whole, in such a way as to ensure complementarity, contiguity and logical-functional coherence between all markets of the MGAS.

More specifically, it should be noted that the market model, resulting in the transition to the regime phase will include, primarily, the following characteristics:

- the assumption, by GME, of the role of central counterparty for the transactions traded also on the MPL and the MGS, as currently happens with reference to the spot gas markets (MGP-GAS and MI-GAS) and the forward gas market (MT-GAS) that, MGAS consist of;
- the extension also to the MPL and the MGS of the invoicing and *settlement* system currently provided on the MGAS;
- the extension also to the MPL and MGS of the existing guarantee system for the MGP-GAS, MI-GAS and MT-GAS-GAS markets, adjusted on the basis of the specific peculiarities. Consequently, *i)* adequacy verifications of the bids/offers submitted by market participants on the MPL and the MGS will be performed in comparison to the amount of the financial guarantees provided to GME, and *ii)* the payment, of the contribution to the guarantee fund as required on the MGAS, will be provided by the market participants;
- the maintenance on the MGS of the forecasts related to the verification of the maximum limits of sale and purchase of the quantity of stored gas, based on data provided by the storage companies;

- the operation rules of Snam Rete Gas that, in its dual role as head of the balancing and the carrier, may submit bids/offers during the same market sitting replicating what happens in the current transitional phase for its operations on the MGS;
- the reorganization, within a single screen, of the publication of the information carried by GME under Article 10, paragraph 5, subpara. a) of (EU) Regulation 312/2014, providing for the inclusion, in the table published on the MGAS platform, also the information relating to transactions concluded on the MPL (to handle deviations between total injection and withdrawals from the network), today, announced separately on the PB-GAS platform.

3. Other proposals for amendment of the operating principles of the MGAS

Without prejudice to the main objective of this consultation document, this opportunity allows submitting to the evaluation of the stakeholders also other proposed changes related to certain principles of operation of the MGAS, not strictly related to the new gas balancing, which can be implemented, so even later, and that it is appropriate to review on the basis of what has been observed on the MGAS, as well as the changed environment arisen following the launch of the new balancing regime, including:

- the definition, by GME, of the figure of the market maker, i.e. a participant who will take on a voluntary basis the task of ensuring, on a continuous basis or upon the occurrence of certain events or in specified time limits, the negotiability of the products listed on the MGAS placing in the order book bids/offers with a predetermined minimum spread ;
- the expansion of the set of information made available to the MGAS Participants, providing for the publication, anonymously, in the trading book (for markets in continuous trading, except, then, for the MPL and MGS markets, managed according to a marginal-price auction mechanism), the data of each single transaction concluded in the market session: such publication would give evidence - during the market session - of single transaction concluded at that session;
- any revisions to the time limits of the MGAS market sessions in order to allow market participants to trade taking into account the information made available by the head of balancing;
- the proposed revision of the types of products to be listed on the MT-GAS, assuming a reduction in the range of tradable products, given the low liquidity of the MT-GAS, as well as the nomination agent role of GME taken pursuant to AEEGSI's Resolution 282/2015/R/GAS;
- the possibility to make available continuously the trade books of the products listed on the MGAS on the "portals" dedicated to the *trading of commodities*. That measure, which requires

no specific regulatory changes, could be introduced even after the entry into force of the gas balancing regime phase, also to take into account the plan and methods of long-term operation of the MGAS.