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Object: Edison S.p.A.'s response to consultation on "Self-evaluation of Austria's eastern market area in accordance with AGTM metrics and analysis of market integration"

Edison welcomes the opportunity to comment on the results of E-Control's studies. Enabling functioning wholesale markets, tightening connections of markets and enabling a secure supply pattern are three main pillars on which Gas Target Model is based.

In our view liquidity, harmonization and transparency are the necessary means to ensure a well-functioning wholesale market and for this reasons any initiatives that go towards this direction, like the E-Control's study, are more than appreciated.

Nevertheless, we deem that the results of E-Control's studies would need further clarification and details also because only a partial translation in English has been provided so limiting our overall comprehension.

Having said this we would like to provide hereafter some general comments on the second part of the study concerning the assessment of market integration options.

The study uses a set of criteria to compare and assess different market integration options, with the result that only a merger with the Italian gas market would provide maximum benefits to the Austrian market.

However, the highly welfare gains foreseen in the analysis of potential mergers with Italy do not take into account some deeply differences between the Italian and Austrian market regulation and consequently the study is found wanting when considering the practicability and feasibility of the possible integration of the two markets.

Some of the main differences between Austria and Italy, representing potential barriers to market integration, concern the followings:

- Balancing regime
- Transmission systems: the Italian gas network is split into national grid (import-export pipelines, pipes connected to storages and LNG plants, main national pipelines) and regional grid (the other pipes to flow gas vs. delivery point of the local network). The network in Austria are characterized by three separate balancing zones, known as Market Areas. The main balancing zone has a high

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pressure transmission grid and a high and low pressure distribution grid. Italy has only one system operator of the national gas network, - that is also the responsible for the overall physical balancing on the Italian gas system while in Austria the transmission system is operated by many system operators.

- Storage regime: has a TPA regulated access while Austria has a negotiated TPA one. The two storage regimes are also characterized by different products .

The above mentioned differences should be taken into account as first when thinking about a possible merger of the two markets.

Moreover before pursuing a full gas market merger, we believe that other measures should be fostered in order to achieve the goal of a well-functioning wholesale gas market. In particular we believe that:

- implementing an harmonized balancing system, based on the provisions of the EU Balancing Network Code would improve market competition and enhance liquidity. (Today, the Italian and Austria balancing markets still differ significantly).
- A full implementation of the provisions of the EU Balancing Network Code could have positive effects also on the security of supply. The security of supply could be ensured through a liquid competitive market where supply and demand are balanced in response to undistorted price signals, achieving this goal should take priority over any market integration.
- Generally speaking, fully Implementing NCs is crucial for the development of competitiveness and market integration, as well as the application of harmonized solutions. We think that many improvements have been made so far, concerning the AT/IT border, like the introduction of the FDA UIOLI mechanism also in Italy, with the goal of eliminating potential constraints at the interconnection point of Arnolstein-Tarvisio. The FDA UIOLI is a good example of coordination with an adjacent NRA, avoiding situation where at the same IP different measures apply, as it is sometime the case across Europe.
- Any proposal for closer connecting gas markets areas of Austria and Italy should be deeply analysed together by the Italian and Austrian NRAs , also with the related gas network operators, providing the framework and the details by means of which such integration could work. Moreover any proposal should be underpinned by a dedicated consultation in order to receive feedbacks from market participants of both countries, as did in the past for example concerning the implementation of congestion management measures.