



"Regional Gas Market Integration Italy-Austria"

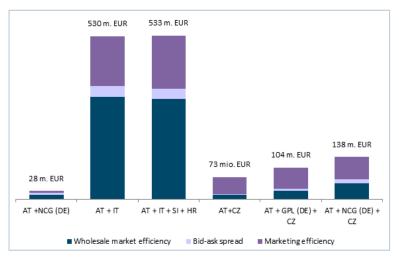
Belgrade GRI SSE 07.05.2019

E-Control



Starting point: Key results of a "market integration study" commissioned by E-Control

Simplified monetary assessment*



Metrics-based assessment*

St	atus Quo		Scenario	os incl. IT				
				Qua	ntitative indicators			
	Ihreshold	ΛT	AT+NCG(DF)	AT+IT	AT+IT+SI+IIR	AT+C7	AT+GPI (DF)+C7	AT+NCC(DF)+C7
AGTM Market Health Metrics								
Number of supply sources	12	100%	100%	100%	100%	100%	100%	100%
THE	#250 UE	836	/17%	//%	/8%	5294	5486	6606
RSI	add Micafelen and	100%	39.79%	100%	DOM:	100%	100%	100%
Security of supply								
N-1	1,10070	100%	100%	100%	100%	100%	100%	100%
IRD	#1000	1896	97%	93%	95%	586	93%	76%
SDC	% afdement	78%	31%	3156	52%	62%	47%	3/296
SRC	Rofpaskdamans	131%	99%	72%	70%	98%	115%	95%
Storage					1			
HHI for yourses.	ebbbb	90%	100%	/D P (6	51%	100%	100%	100%
Capacity metrics								
Max DMA (% of net dom demand)		$\overline{}$	28%	20%	99%	156	25%	\$296
New direct sources		- / [4	5	3	1		4
Individual markets TID TVhia of freely allocable entry cap		/	AT: 440 NCG 240	AT: 159 Th 291	AT: 186 IT: 295. SI: - HM: 25	AT: 450 CZ: 102	AT: 623 GPL 924 GB: 84	AT: 440 NOS: 21 62: 109
Individual markets TCRR % of freely alocable entry cap			AT: 77% N.OG: 28%	AT: 22% ITI 23%	ATI 27% IT: 29% SII - H/U 70%	AT: 67% CE: 23%	AT: 869. 8FL 44% 62: 184	AT: 77% NCS: 12% CB: 24%
Aggreg III) IWMs of FAED	1/	- 1	678	419	201	262	200	DEZ
Aggreg. TCRR %-rrand	<i>V</i>		48%	25%	29%	55%	80%	57%

- Integrated market area IT+AT (+ potentially SI and HR) appears <u>attractive</u> due to:
 - Potential to create <u>welfare for end-users</u> in the integrated area
 - <u>Improvement of market functioning</u> (add to compensation of identified issues)
 - Represent a starting point for further bottom-up developments leading to a competitive regional market



Detailed cost benefits analysis as prerequisite for market integration

- Any actual implementation must be based on detailed analyses of the costs and benefits for each of the involved markets
- Integration concepts that uphold most benefit potentials while reducing implementation complexity and cost should be in focus
- Market integration may only "go live" based on a positive costbenefit evaluation (CBA as AGTM requirement)
- Increase of social welfare

In order to be a reliable basis for decision making, such a CBA must rely on a concrete, sufficiently detailed implementation concept:

- developed together with stakeholders
- recognizing and <u>reflecting the characteristics</u> of the participating markets and regulatory systems



Rationale for selection of integration/balancing model

- Learning from past initiatives: even implementation of a trading region as sketched in the AGTM can be a substantially complex task
- General approach for integration/balancing model:
 - Based on AGTM trading region
 - However:
 - focused on crucial aspects to <u>exploit potential benefits</u>
 - leaving aspects beyond that as much as possible on the national agenda and thus <u>reducing implementation complexity</u>, <u>harmonization needs</u>, etc.

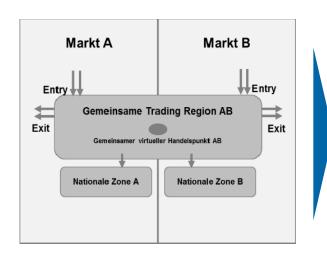


"Hub Trading Region" as possible model



Introduction of "Hub Trading Region" concept

Ideal-type **AGTM trading region** model





Fundamental characteristics:

- Integrated capacity model, but <u>balancing widely only in remaining national zones</u>
- Integrated <u>VTP with congestion-free access</u> as central place of delivery for all transactions
- Reduction of <u>harmonization needs to a minimum</u>
- Comparable effect on AGTM metrics as ideal-type trading region model



Integrated entry/exit system

Integrated entry/exit system

- Bookable points between currently national market zones to disappear for network users
 - IP Tarvisio/ Arnoldstein
 - Inter TSO compensation
- Remaining network points form the integrated entry/exit system



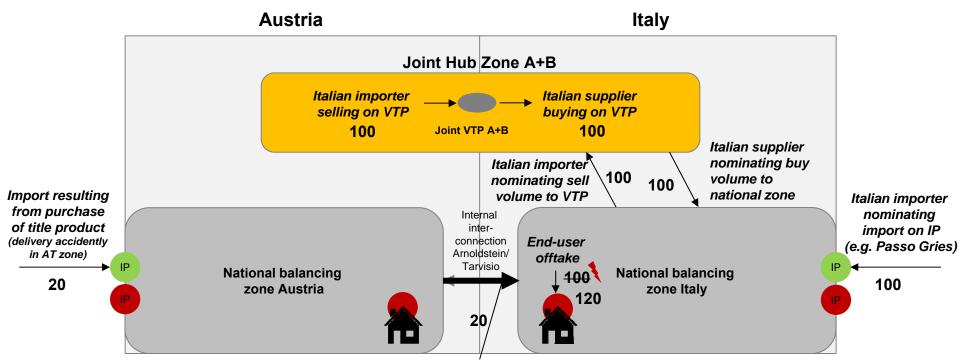


Integrated VTP

- An integrated <u>VTP in the Joint Hub Zone</u> serves as <u>central place</u> of <u>delivery for all transactions</u> within the integrated entry/exit system
- No VTP in National Balancing Zones anymore
- Integrated VTP to be <u>operated in cooperation of VTP operators</u> in currently national zones
- Exchanges use this VTP for the <u>physical settlement of exchange</u> <u>trades</u>; the same applies for broker trading, etc. (concentration of liquidity)
- Default rule: Congestion-free VTP access to/from any network point in the integrated entry/exit system



Case study: Italian Supplier is buying gas on integrated VTP (from Italian Importer)



Resulting flow at internal interconnection to be coordinated between TSOs

Add-On: End-user offtake not 100 as expected but actually 120

- → difference to be settled in commercial balancing of IT supplier
- → Italian system short—need to buy phsical balancing gas
- → If bought via title products and delivery in AT, this triggers a flow AT>IT at the internal interconnection

IT Balancing Portfolio Italian importer

Entry	Exit
100	100

IT Balancing Portfolio Italian supplier

Entry	Exit		
100	120		
nbalance>	20		

8



Way forward

Decision to start Joint **Status Quo** implementation detail concept preparation decision **Preliminary** Preparation of a Identiying Cost/benefit view on concrete/detailed Implementthe need implementation concept analysis ation for action **fundamentals** concept

Current stage – with the objective to:

- develop <u>early</u> on the <u>basic</u> principles of the concept
- allow at an early stage the decision whether the <u>preparation of a detailed concept</u> (with subsequent CBA) should start
- However, without prejudice to any implementation decision