

Brave new world of Italian gas storage

Italian gas sector companies are concerned about the potential impact on their commercial strategy of the recent liberalization of storage capacity allocation in the country, Giuliana Rotta, regulatory manager at Italian gas enterprises association Anigas, told **Beatrice Bedeschi**.

“We’re waiting to see the regulation of the energy authority, particularly regarding who can participate in the auctions, and how the priority in the ranking is assigned, which is very vague in the decree,” Rotta said February 19.

Anigas represents more than 70 companies operating in the storage, transportation, distribution and sale of natural gas, covering 12 million customers across Italy.

“Our concern is that reforms, done in a rush, would create more costs for operators, particularly because of the limited time available to fully evaluate the possible impact on commercial strategies,” she said, adding that “a key element remains that of the base auction price.”

On February 15, industry minister Corrado Passera signed two decrees aimed partially at reforming the allocation of gas and regasified LNG storage capacity in Italy, introducing a system of auctions for some of the capacity available.

The ministry has called upon energy authority AEEG to issue a ruling on how the auctions should work, and according to a source close to the matter AEEG could issue a preliminary consultation document on the subject imminently.

“The objective of the industry ministry and of the energy authority was to increase liquidity in the market, and one way to achieve that was a reform of storage allocation. We share such objectives, but we’re concerned that the measures may not be gradual. All reforms should be gradual and must be implemented while taking into account the existing contractual boundaries,” Rotta said.

The decree on gas storage capacity allocation rules that, starting from April 1, 2013, to March 31, 2014, 4.2 billion cubic meters of storage is to be allocated through auction, of which 2.5 Bcm is destined for domestic users and 1.7 Bcm for other users, including those without domestic consumers in their portfolios.

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Giuliana Rotta, Anigas

A further 4.2 Bcm of storage capacity destined for domestic users would still be allocated through the current system, which assigns pro-rata storage volumes to operators based on the size of the market they cover.

New players to access storage

Asked whether she expects new operators to enter the market as a consequence of the reform, Rotta said “it all depends on how it is handled.”

“Our members all have a consolidated position so obviously our focus is on them,” she said.

One trader in Italy said a potential consequence of the reform would be that new players, such as traders that don’t have retailers supplying gas to domestic users among their clients, would gain access to storage, thereby changing the way the Italian gas market is shaped.

“Currently wholesalers are willing to offer gas at very competitive rates to retailers that have domestic users in their portfolio, because that way they can gain access to storage capacity,” the trader said.

He said such a change may also have consequences for the PB-gas regulated platform – where operators exchange stored gas – adding that players without domestic users in their portfolio could adopt a more speculative approach than current users, who tend to use the platform to balance their physical positions. This may in turn have a bullish effect on the PB-gas price, he said.

A second decree signed by Passera on February 16 allocates to industrial users and companies that import LNG a further 500 million cubic meters of storage for regasified LNG.

In a statement, the industry ministry said this measure is “mainly aimed at facilitating the supply of LNG,” which is “increasingly important for the safety and the diversification of supply sources and the competitiveness of the market.”

The ministry added that the two decrees represent a step forward in the liberalization of the Italian gas market, as envisaged in the energy strategy.

The measures came in the final days of the government of Prime Minister Mario Monti.