



**CNMC – ERSE – ACER’s consultation - “Study about models for integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Market”.**

eni welcomes the possibility to participate to this consultation and provides hereunder the answers on behalf of both eni S.p.A. and Eni Trading and Shipping (ETS).

**Q1: Would you agree with the analysis made on current market situation and on the major issues effecting the creation of an Iberian market?**

Yes.

**Q2: Do you agree with the implementation of the wholesale market with implicit allocation of capacity as a step for market integration, but aiming for an even more integrated market in the long term?**

We believe that the Iberian market should aim to be structured at least as a “Trading Region Model” as soon as possible. As first step towards that goal, the Spanish and Portuguese markets should get better integrated via an Explicit Allocation Model. We believe that an Explicit allocation is a concept that is already well tested, used and understood across all the players in the European gas markets, it can fit straight away within the existing capacity trading platform (Prisma) and can help to manage capacity from day-ahead to long term allocations.

In our opinion the Implicit allocation process triggers complications on how commodity and capacity prices are set and this can undermine the level of transparency in the market.

This main concern, added to the low familiarity with this process among European shippers and the costs of the implementation of implicit allocations, might have counterproductive effects on the development of an Iberian gas hub.

On the contrary, at least in the short term, more liquidity on the Iberian markets will be achieved effectively and in a more transparent way as soon as day-ahead explicit allocations are introduced in compliance with the EU Network Code on Capacity Allocation Mechanisms.

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**Q3: What are the most important aspects to take into account and to harmonize from a regulatory point of view for the creation of the wholesale market with implicit allocation?**

As anticipated in our answer to Q2, we doubt that the benefits of the implementation of implicit allocations would outweigh its costs.

**Q4: Which is the best model for the integration of Iberia in the long term?**

We believe that in the long term the market could benefit more from the creation of a "Market Area Model", provided that there are no congestions in the interconnection capacity between the two existing market zones - as it appears to be the case at the moment considering the quite low level of utilization of the interconnection capacity between Portugal and Spain.

We deem that the creation of a single balancing area can effectively and efficiently improve the level of competition only to the extent that shippers are allowed to sell their gas indifferently in all parts of the new single market area; for this reason, any integration process has to be accompanied by a coherent and well-timed development of interconnection capacities capable to solve physical bottle-necks between the existing market areas, if any.

**Q5: When and how the Balancing Network Code and the Interoperability Network Code should be implemented to contribute to the goal of the Iberian market?**

The European Network Codes should be implemented in the Iberian market consistently with the deadlines set at European level.

Indeed it is important to ensure that the implementation of the European codes is carried out in a consistent way by all Member States and NRAs and, in the specific case, in parallel by Portugal and Spain, since these rules represent a significant step towards the achievement of more integration between the two markets.

If in the implementation phase any inconsistency/problem affecting market players arise, it should be addressed at an early stage in order to allow for the development of a coherent and shared solution.



**Q6: Identify any issue you think is important to achieve further integration. How would you set the timing and prioritization for the discussion/implementation of on these issues?**

From a regulatory point of view, we deem that there are several general principles that should be adopted to achieve effective market integration:

- a) the licensing procedures in both markets should be aligned and simplified;
- b) both the security of supply and its related obligations should be assessed and set in respect to the new single integrated market area;
- c) the informative flows should be organized and coordinated by Spanish and Portuguese institutions avoiding duplications.

With regard to more practical issues, we think it is important to implement the following provisions:

- 1) Adoption of a common Language (English? Spanish?)
- 2) Completion of a common EFET framework agreement for the two markets
- 3) Establishing functioning virtual points in both markets