

## **Response to ARERA Consultation Document 165/2026/R/GAS on the Tariff Regulation Framework for Natural Gas Transmission Services for the Seventh Regulatory Period (7PRT)**

Energy Traders Europe welcomes the opportunity to provide comments on ARERA's public consultation on the tariff and quality regulation framework for natural gas transmission and metering services for the seventh regulatory period (7PRT), as set out in Consultation Document 165/2026/R/GAS.

We commend the Authority for the extensive work undertaken and for its proactive engagement with stakeholders throughout the process, beginning with the Focus Group held in Milan on 11 March.

Detailed comments are provided in response to the questions set out in the Consultation Document.

### **Questionnaire**

#### **Q1. General observations on the timeline**

We welcome the extensive consultation process undertaken by the Authority and appreciate the transparency and clarity with which the various stages of the process are being conducted. We praise, in particular, the decision to adopt an approach based on stakeholders engagement already in the preliminary stages, which will certainly be beneficial.

We strongly support the introduction of a Focus Group as an innovative tool for stakeholder involvement in this type of procedure, fostering a more transparent participatory process.

Finally, we note that the scope of the consultation is particularly broad and characterised by a high level of detail, and we appreciate that most of the issues raised by industry associations have been taken into account and reflected among the areas covered by the consultation.

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## **Q2. Comments regarding the objectives and target recipients of the Authority's intervention**

No comment.

## **Q3. Comments regarding the duration of the regulatory period**

A duration of four years appears appropriate.

## **Q4. Comments on the the breakdown of reference revenues**

The existing breakdown appears appropriate.

## **Q5. Comments regarding the scope of application of the ROSS criteria**

No comment.

## **Q6. Comments regarding the capitalization rate, with particular reference to the use of 2025–2026 historical data and the deviation cap**

We welcome the introduction of this maximum range of +/- 5% to limit tariff volatility.

## **Q7. Comments regarding the criteria for determining and updating the baseline of operating costs or the recognised operating costs for the year 2028.**

No comment.

## **Q8. Comments regarding the criteria for determining capital costs and depreciation**

We express appreciation for the approach, set out in point 11.1 of the Consultation Document (DCO), of explicitly stating the principle whereby, under no circumstances, may investment costs relating to interventions that have received a negative or suspended assessment

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following the Authority's evaluation of the Plans be admitted for tariff recognition. Such an approach appears fully consistent with the current regulatory framework and, in particular, with paragraph 1.2bis of Resolution 468/2018/R/gas, which grants the Authority the power and duty to approve or reject the interventions included in the Plan also for the purposes of tariff recognition.

This clarification is considered particularly appropriate, as it strengthens the necessary coordination between the ex-ante evaluation of infrastructure planning and the subsequent tariff treatment of investments. Furthermore, this provision reaffirms the Authority's role in overseeing infrastructure development and in verifying that investments are compatible with the criteria of efficiency, cost-effectiveness, and system security.

Lastly, this approach also appears consistent with the general need to contain the costs borne by transport service users. From this perspective, the provision represents an important safeguard for users and for the overall sustainability of the tariff system.

In conclusion, the approach set out in point 11.1 of the Consultation Document is considered fully supportable, and its confirmation in the final measure is strongly encouraged, as it is capable of strengthening the consistency between the planning process, regulatory assessment, and tariff recognition of investments.

## **Q9. Comments regarding the rate of return on LIC**

We welcome the Authority's proposed amendment to reduce the rate of return applied to construction work in progress (CWIP) – ideally to the cost of debt ( $K_d$ ) or below. This measure is consistent with the broader objectives of the proceeding, including service efficiency, tariff containment, proportionality, and regulatory consistency, as set out in the Consultation Document.

The case for this adjustment is clear. Assets under construction have not yet begun delivering benefits to the system or its users, so a more prudent remuneration during this phase — relative to operational invested capital — reflects a sound principle of graduality and proportionality. It also limits advance cost recovery through tariffs for infrastructure not yet in service, with positive effects for end-users.

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Reducing the CWIP rate would also send an important regulatory signal to TSOs: it would strengthen the incentive to bring investments into operation on time, discourage prolonged "work in progress" status, and promote more rigorous project planning, maturity assessment, and cost management. This is particularly relevant given the 6PRT's already noted increase in tariff-recoverable revenues and capacity charges alongside a reduction in tariff drivers.

More broadly, the current context marked by substantial planned investment against a backdrop of declining demand, shifting flows, and rising transportation charges, makes it all the more important that regulatory tools encourage operators to select, initiate, and complete investments efficiently.

In conclusion, we consider the reduction of the CWIP remuneration rate a sound and well-founded measure, one that strengthens investment discipline, improves implementation efficiency, and reduces the risk of passing through to tariffs costs that are premature or insufficiently justified.

## **Q10. Comments on gearing**

We support the Authority's proposed revision of the gearing parameter, as the current recognised level no longer reflects the sector's actual financial structure. The gas transmission sector is highly concentrated: SRG accounts for approximately 93% of the network (and ~96% of total approved revenues), with SGI as the second operator at around 5% of the network (~3% of revenues).

As shown in Figure 1 of the Consultation Document, the gearing values of these two undertakings – which together represent virtually all recognised revenues – were already significantly above the recognised level at the start of the current regulatory period, and in 2026 sit well above the Authority's proposed value of 0.6.

We therefore consider it appropriate to bring this revision forward, making it effective from 2027. While we understand that 2027 tariffs have already been set by Resolution 191/2026/R/gas, we ask that the revised gearing be reflected at least in the determination of final recognised revenues for 2027, so as to begin realigning regulatory parameters with actual financial conditions without further delay.

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On methodology, we consider that gearing should not be calculated as a simple average across transmission undertakings. Given the sector's concentration, this approach would assign disproportionate weight to smaller TSOs with negligible revenue shares, producing a result that is not representative of the sector's prevailing financial structure. A revenue-weighted average would better reflect the actual contribution of each TSO to the regulated perimeter, avoid distortions from unweighted averages, and improve the overall consistency of the regulatory framework.

Alternatively, the Authority could consider differentiated gearing parameters by category or cluster of TSO – for example, distinguishing between operators of the national network and others. This would mirror the logic already applied elsewhere in the DCO, where the Authority's preferred option distinguishes between the enhanced ROSS (for national network TSOs) and the simplified ROSS (for others).

In summary, we propose that the Authority:

- bring forward the gearing revision to 2027, at least for the purposes of final recognised revenues;
- adopt a revenue-weighted average rather than a simple average;
- or alternatively, consider differentiated gearing parameters by TSO cluster or category.

## **Q11. Comments regarding the criteria for improving capital cost efficiency**

We welcome the Authority's intention to increase selectivity in existing incentive and efficiency mechanisms and to introduce criteria promoting efficiency in capital costs. Particular care should be taken with new investments in transition technologies, where a rigorous and selective approach is needed to avoid undue costs for users and end customers.

We would also encourage the Authority to make sharing percentages asymmetric, with greater retention of inefficiencies and lower retention of efficiencies. This would better serve the objective of preventing cost overruns from being passed through to tariff payers, while strengthening incentives for careful planning, design, and execution. Given that the capital cost efficiency incentive applies to investments with multi-year tariff effects, any inefficient deviation from target costs can affect recognised revenues over time — making it all the more

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important that the mechanism bears down more heavily on inefficiency than it rewards outperformance.

The proper functioning of this mechanism also depends critically on the quality of ex ante cost estimates. We therefore urge the Authority to maintain robust regulatory oversight over how these are determined, including detailed scrutiny of project maturity, unit cost reasonableness, benchmark consistency, and the overall robustness of operator submissions. Without reliable ex ante estimates, the incentive cannot generate the right signals or steer TSOs toward genuinely efficient investment decisions.

In summary, we propose that the Authority:

- confirm investment efficiency as a guiding principle of the incentive mechanism;
- introduce asymmetric sharing percentages, with greater retention of inefficiencies than efficiencies;
- strengthen scrutiny of ex ante cost estimates as a precondition for the mechanism to function effectively.

## **Q12. Comments regarding the criteria for investment selectivity**

We welcome the proposed mechanism introducing a WACC reduction for certain investment categories as an incentive for greater selectivity. This is consistent with the broader objectives of the consultation — improving the efficiency of infrastructure expenditure and steering investment decisions towards projects that are clearly justified on grounds of system benefit, proportionality, and economic sustainability.

The measure sends a useful regulatory signal, encouraging TSOs to prioritise investments more rigorously and discouraging projects that lack adequate technical and economic justification. In a context of increasing focus on tariff cost containment, mechanisms of this kind are fully supported.

That said, the mechanism's effectiveness depends heavily on the breadth of its scope. Excessive exemptions or exclusions would significantly limit its reach and risk reducing it to a measure of only marginal impact — one unable to materially influence TSO investment behaviour. The regulatory framework should therefore strike an appropriate balance between

accommodating the specific characteristics of certain investment categories and preserving the general applicability of the incentive.

In conclusion, we view the proposed mechanism positively and urge that the final decision establish a broad scope of application, not unduly fragmented by exemptions, so as to deliver tangible benefits in terms of cost containment and improved capital expenditure discipline.

### **Q13. Comments regarding the review of incentive mechanisms**

We support the proposed amendments to the parameters applicable to new gasification projects. These appear consistent with the objectives of strengthening efficiency criteria, investment selectivity, and proportionality of tariff recognition – all of increasing importance in a context where containing costs for transportation system users is a growing priority. The revised parameters promote a more prudent approach to eligible expenditure and greater attention to the overall sustainability of such initiatives, in line with the regulatory path already undertaken in recent years.

On the options presented in the Consultation Document regarding the incentive mechanism for keeping fully depreciated networks in operation, we are not in a position to offer a comprehensive assessment in the absence of sufficient quantitative information. The issue is undoubtedly significant, and we acknowledge the regulatory work the Authority has already undertaken in this area. However, given the economic and regulatory weight of the decision, a reliable assessment of the different options requires comparative analyses enabling an ex ante evaluation of their effects on tariff impacts, incentive signals, efficiency outcomes, and operator decision-making.

We therefore recommend that the Authority prepare and publish dedicated impact assessments of the options under consideration, so that stakeholders can provide fully informed responses. At a minimum, such analyses should cover the expected effects on allowed revenue trajectories, tariff charges, incentive and disincentive mechanisms related to continued operation of fully depreciated networks, and any differential treatment across infrastructure categories or TSOs. Publication within the next consultation document on the 7PRT would allow for a more substantive and evidence-based discussion.

In conclusion:

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- we support the proposed amendments to the parameters for new gasification projects;
- we are unable to express a view on the fully depreciated networks incentive options without adequate quantitative information;
- we recommend the Authority publish dedicated impact assessments, preferably within the next 7PRT Consultation Document.

## **Q14. Comments regarding revenue components covering specific cost items**

No comment.

## **Q15. Comments regarding revenues for balancing services**

No comment.

## **Q16. Comments regarding the criteria for determining the revenue cap for new operators**

No comment.

## **Q17. Comments regarding the identification of services provided by transmission operators for tariff purposes**

We support the Authority's approach to maintaining continuity in the identification of transmission services, ensuring clarity and consistency for tariff purposes in line with the stability objective of the DCO.

At the same time, service identification should reflect the evolving gas system and increasingly complex supply configurations. In this context the virtual pipeline should be considered a distinct service compared to traditional network transmission, given:

1. its integrated logistics chain
2. a cost structure with relatively higher operating costs
3. its specific role in territorial supply and system security.

These elements justify its explicit tariff recognition through a dedicated variable charge (Cvp) applied to consumption at national exit points; Such an approach would align with ARERA's transparency and predictability principles by ensuring clear cost allocation through a separate component, and avoiding impacts on cross-border exit points, in line with ACER recommendations. Furthermore, the proposed approach limits impacts on entry points so as to avoid competitive distortions (including effects on PSV), while it would also be supporting neutrality for thermoelectric plants and preventing increases in cross-border exit tariffs.

## **Q18. Comments regarding the tariff structure for the transmission service**

We support the Authority's approach for the 7PRT, which updates the service structure while ensuring regulatory continuity, consistent with the proposed duration of the regulatory period.

Stable service definitions and tariff treatments are essential to ensure predictability of charges, reduce regulatory risk, and enable users to plan industrial and commercial strategies over the medium term. Accordingly, we support maintaining the core architecture of transmission services, limiting changes to targeted modifications for new services, which should be clearly defined and identified from a technical and economic perspective.

## **Q19. Comments regarding the capacity-commodity split**

As a general principle, considering the higher premium paid on PSV as compared to other European hubs and the strategic political focus on ensuring energy security and affordability for Italian end consumers – particularly in a phase characterised by redirection of gas flows, geopolitical tensions, progressive decarbonisation of the gas system, and an increasing reliance on spot LNG – we recommend using market instruments, such as applying more competitive tariff setting, to encourage inflows and achieve the desired outcome.

In line with our argument above, we invite the Authority to keep in mind the need to secure and encourage affordable gas supplies to Italy when defining the capacity/commodity split.

We understand that ARERA intends to preserve flexibility to adjust the capacity–commodity mix on an annual basis in response to changes in cost structures and therefore does not wish to commit to a fixed allocation that could become inconsistent with actual costs.

Nevertheless, we believe that greater stability in the capacity–commodity split would provide additional predictability to market participants. Accordingly, we invite ARERA to consider mechanisms aimed at limiting annual variations, introducing for example a cap mechanism. Capping variations would be important to safeguard tariff stability and limit evolution of the capacity-commodity split, which continues to show a progressive increase in the capacity component that is not directly predictable for users. This trend is confirmed for 2027, with the ratio currently at 5.5 – comparable to 2020 levels – reflecting a 73% increase over the 6PRT period (2024–2027).

## **Q20. Comments regarding the determination of the CVFC component**

We welcome ARERA's intention to assess, in each tariff year, the opportunity to spread over a two- or three-year horizon those compensation requirements that would otherwise result in a year-on-year variation in the CVFC charge exceeding 30%.

Measures aimed at limiting the impact of under- and over-recovery on tariffs within the same regulatory period enhance tariff stability, predictability and the long-term sustainability of the gas system. In the context of decarbonisation, a gradual decline in gas demand at a faster pace than the reduction in infrastructure costs could generate significant deficits and lead to material increases in access tariffs unless appropriate stabilisation mechanisms are applied.

We support multi-year smoothing mechanisms for deviations, including the introduction of a maximum annual tariff variation threshold within the same regulatory period in cases of under- or over-recovery. Such an approach would mitigate abrupt adjustments, protect consumers and provide stable price signals to market participants. Similar mechanisms have already been implemented, or are under consideration, in comparable Member States such as France and Spain.

However, we stress that the key issue remains the transparency of the calculation drivers of the capacity component, which is less predictable for users. In particular, CVFC is the least transparent tariff element, as:

- its drivers (volumes and revenues) are not disclosed even ex post in the TAR NC Transparency Template published by SRG;

- its ex-ante predictability is further limited, since it reflects: (i) foregone revenues of TSOs, whether originally covered by capacity charges (CPE, CPU) linked to capex or by the CVu (opex); and (ii) additional revenue needs that users cannot reconstruct.

Moreover, recent regulatory interventions to smooth revenue recovery – introduced without predefined rules – have mitigated tariff spikes but further reduced predictability, as such measures are only disclosed at the time of tariff publication.

For these reasons, we consider that increasing CVFC<sup>1</sup> transparency is essential and fully consistent with EU transparency and non-discrimination principles, TAR NC requirements on tariff replicability, and the DCO's objectives of predictability and clarity. Greater transparency is also a necessary condition to ensure the effectiveness of any mechanisms aimed at limiting tariff volatility.

## **Q21. Comments regarding the entry-exit split**

As a general principle, considering the premium currently observed at the PSV compared with other European hubs, together with the strategic objective of ensuring energy security and affordability for Italian consumers, particularly in a context characterised by changing gas flows, geopolitical tensions, progressive decarbonisation and increasing reliance on spot LNG, we recommend making use of market-based instruments, including competitive tariff setting, to encourage gas inflows.

In line with the above, we invite the Authority to take into account the need to secure and encourage affordable gas supplies to Italy when defining the entry-exit split. In light of this and on the need to minimize the weight the costs related to the expected virtual connection of Sardinia on the rest of the grid, we would support an entry/exit split of 20/80 as emerging from ARERA's calculation.

## **Q22. Comments regarding adjustments to the CWD methodology**

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<sup>1</sup> Market operators only know CVfc when it's published by ARERA in approval deliberation; Having this information well in advance would allow for better forecasts and predictability.

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We welcome the Authority's intention to launch a dedicated consultation on possible adjustments to the CWD methodology, in line with previous requests from stakeholders. We believe that any modifications should be subject to adequate consultation and supported by a comprehensive assessment of their potential impact on network users.

With the introduction of a LNG Hub, we consider it essential to accompany this with a discount on LNG entry tariffs. Such a measure is necessary to enhance LNG competitiveness versus other supply sources – given its growing strategic role for security of supply – and to ensure alignment with EU market integration and energy security objectives.

In a medium-long term perspective, applying such discounts is crucial to support supply diversification, system flexibility, and security. Competitive tariff conditions at LNG entry points would strengthen Italy's role as a European gas hub, leveraging its geographic position and infrastructure while attracting additional flows. Moreover, where LNG sets the marginal price, lower access costs would directly benefit gas prices along the value chain and ultimately final consumers. Without such measures, Italian terminals risk losing competitiveness, potentially reducing flows and creating inefficiencies.

That said, any assessment of the appropriate level of the LNG discount should be supported by transparent data, giving operators clear visibility on the potential impact on pipeline tariffs. We therefore ask ARERA to provide, in the next consultation, with a simulation tool that would allow market participants to better assess the implications of different discount levels and formulate informed positions.

In addition, any LNG discounts or benefits resulting from the definition of an LNG hub should also apply to LNG entry capacities that have already been booked, in order to ensure a level playing field and avoid penalising operators that have committed capacity in advance

## **Q23. Comments regarding the reference price methodology**

We welcome the Authority's proposals aimed at enhancing the transparency and predictability of capacity drivers, as they address the concerns raised during discussions with stakeholders and improve the overall understanding of tariff mechanisms. Greater detail on these drivers is essential to ensure the replicability of tariffs and to enable reliable ex ante assessments.

However, it is considered necessary to extend the same level of transparency to volume-based drivers (CVu and CVFC), which are currently not fully reconstructable, thereby limiting their predictability. In addition, it is crucial that the relevant data be made available with sufficient advance notice prior to the publication of tariffs, overcoming the current timing, which significantly reduces their usefulness for forecasting purposes.

With reference to the proposed modification of the capacity tariff driver, it is noted that, at this stage, it is not possible to provide a comprehensive and objective assessment.

In particular, the lack of quantified impacts on tariff levels does not allow for a proper evaluation of redistributive effects across different types of points, nor does it enable a full understanding of the economic implications for market participants.

In light of the above, it is considered appropriate to defer any substantive assessment to a later stage of the process, with the expectation that the Authority will provide quantitative analyses and additional supporting information to enable a fully informed evaluation of the proposals. More generally, it is considered appropriate to provide Users with a quantitative simulation tool capable of combining the various options consulted in order to assess their effects on tariffs.

## **Q24. Comments regarding multipliers and seasonal factors, with particular reference to increased transparency of coefficient k.**

### **Balance of Month product**

We welcome the Authority's focus on enhancing flexibility tools, in particular the Balance of Month (BoM) product. Its introduction under the upcoming revision of CAM NC is consistent with market evolution and would provide users with greater short-term flexibility, improving infrastructure use and system efficiency. We also encourage coordination with non-EU TSOs to enable bundled BoM products, which would optimize cross-border capacity, reduce user costs, and strengthen market integration and competitiveness.

### **Intra-year products at national entry points**

We reiterate the need to clearly distinguish different entry point types, as highlighted in DCO 118/2026/R/gas. Reverse flow points (bi-REMI) should not be treated as standard entry points, as they reflect distribution system technical operations driven by conditions outside users' control. Users cannot effectively forecast capacity or flows at these points, and

assigning them balancing or nomination responsibilities would be inconsistent. These points should therefore be treated as system-support services and regulated separately, avoiding the transfer of operational risks and costs to users.

### **Coefficients for intra-year products (thermoelectric sector)**

We don't support reducing coefficients for intra-year capacity products, particularly for thermoelectric plants. Such a change would increase the variability of gas capacity costs, potentially affecting plant cost structures, electricity price formation (PUN), and the stability of market signals. Maintaining a balanced mix of fixed and variable components is preferable, ensuring adequate coverage of fixed costs for thermoelectric plants, which remain essential for system adequacy and stability.

### **K Coefficient**

We have previously highlighted that the methodology used to determine the multiplier coefficient  $k$  is not easily replicable and have called for greater transparency regarding the components contributing to its calculation.

In this regard, we strongly welcome the Authority's intention to ensure that the data and information relevant for the determination of coefficient  $k$  are included among the information that the major transmission operator must make publicly available in accordance with the transparency obligations set out in the TAR Code. This measure will significantly improve transparency and predictability for network users.

### **Q25. Comments regarding the tariff structure for metering services**

We support the Authority's approach to ensuring regulatory continuity in the determination of metering service charges, which is consistent with the DCO's objectives of stability and simplification in an already complex tariff framework.

### **Q26. Comments regarding revenue equalisation mechanisms**

No Comment.

## **Q27. Comments regarding revenue correction factors**

We support the Authority's proposal to include, in the calculation of allowed revenues, any additional revenues collected by TSOs under the Network Codes, as outlined in paragraphs 25.10 and 25.14 of the DCO.

## **Q28. Comments regarding information on planned investments and decommissioning**

We support the Authority's aim to promote administrative simplification in tariff-setting and verification processes, as it enhances overall regulatory efficiency and strengthens the effectiveness, consistency, and traceability of oversight activities. At the same time, we stress that simplification should be accompanied by adequate transparency and data accessibility, ensuring that users can fully understand and verify tariff-setting mechanisms. In particular, relevant data should be made available clearly, comprehensively, and in a timely manner, using standardized and easily processable formats, and ensuring consistency between information used by the Authority and that disclosed to the market. In this context, we highlight the need to further strengthen tariff replicability as a key condition for transparency. Users should be able to reconstruct individual tariff components from published data, understand the underlying calculation drivers, and perform reliable ex ante simulations of tariff evolution. Replicability should therefore go beyond aggregated information, requiring a coherent and sufficiently detailed dataset to enable a full and independent reconstruction of the tariff-setting process.

## **Q29. Comments regarding the regulation of safety, continuity and commercial quality of transmission services**

We support the Authority's approach to maintain the current service quality regulation at this stage, pending the definition of a clear and comprehensive EU framework on methane emissions under Regulation 1787/2024 (MER). While expressing a preference for socialisation of MER-related costs, we appreciate the proposal to allow TSOs to recover costs aligned with the actual benefits of emission reductions, in line with proportionality and efficiency principles. This approach promotes alignment between costs incurred and environmental benefits,

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incentivizes targeted and efficient interventions, and helps avoid the recognition of unjustified costs.

At the same time, we highlight potential implementation challenges. The effectiveness of the mechanism depends on the establishment at EU level of clear and robust rules ensuring consistent assessment across operators and enabling an objective quantification of benefits. In this regard, we recall that, under Article 3 of the MER, cost recognition is conditional on transparency and comparability with efficient operators, and that ACER is tasked with publishing benchmarking indicators every three years (first expected in 2027). These indicators should be used to fix TSO remuneration. Absent a well-defined methodological framework, there is a risk that the cost-benefit principle may lose effectiveness, leading to inconsistent assessments or excessive regulatory discretion.

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