European Commission

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'Electricity and Gas'

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EDISON'S INPUT FOR THE EUROPEAN COMMISSION CONSULTATION ON CRITERIA TO ASSESS COST AND BENEFITS OF GAS QUALITY HARMONIZATION IN THE EU

EDISON – WHO WE ARE

Born in 1881, Edison is one of Europe's oldest energy companies. In 2009, it reported sales revenues of 8,867 mln €, and is carrying out an ambitious investment plan in the electricity and gas sectors. Edison had to diversify its business, when the national monopoly on electricity was established in Italy in 1963. Thanks to the first wave of EU Directives in 1996, it could re-focus its business on energy once again, this becoming the largest new entrant on the Italian market. m

With 50,3 TWh produced in 2009, it is now Italy's second largest electricity generator. Thanks to 7,000 MW of new highly efficient and low emission plants (CCGT thermo plants, as well as hydro and wind power plants), the Company has now a total installed capacity of 12,500 MW. In the hydrocarbons business, Edison has an integrated presence in the natural gas chain, from production to importation, distribution and selling, with sales of 13.2 billion cubic meters in 2009.

In 2009 the new LNG terminal in Rovigo started to contribute to the diversification of Italy's supply sources with its regasification capacity of 8 bcm of natural gas a year, equal to 10% of Italy's demand for natural gas. The start up of Galsi and ITGI pipelines will further connect Italy to Algeria and Caspian Sea, two areas rich in hydrocarbons.

BENEFITS ARISING FROM NATURAL GAS QUALITY HARMONIZATION: FOCUS ON LNG

A certain degree of harmonisation for gas quality at European level would bring along some benefits for the commercialization of LNG volumes in our view. First of all a wider choice of LNG types would be available, thus enhancing flexibility for projects and commercial strategies. This would have a positive impact by broadening and enhancing LNG market competitiveness, as terminals would have more certainty as to the natural gas types they can accept and commercialize, also with a positive effect on investments.

Gas correction services represent an extra cost costs for LNG terminals. A further harmonisation of gas quality may be beneficial for market integration and we think that it could be particularly useful to stimulate a

truly European market of storage and LNG, which is currently hampered by the existence of differences among national technical regulations.
In particular, we are often facing situations where the existence of different interoperability rules on interconnections between LNG terminals and transmission networks represent a clear obstacle preventing users to use LNG as a source of flexibility and diversification. For example, the absence of a “correction service” at some regasification terminals limits the possibility to unload spot cargos, which could not meet the quality parameters accepted by the terminal. More in general, the application of uniform gas quality standards across European LNG terminals would make LNG truly versatile and contribute to the creation of a European-wide LNG market.

GAS HARMONISATION AND TRANSPORT

Gas transport via pipeline could also benefit, in our view, from a certain degree of quality harmonisation at European level, in terms of liquidity and competition. Gas exchanges at interconnections would be smoother thanks to a streamlined correction procedure and acceptability processes would consequently be easier in the custody transfer processes thus improving the entity of volumes exchanged. Harmonisation would result in higher transparency also for third parties such as customs, and at interconnection points with third countries.
One of the key objectives of possible futures initiatives towards harmonisation should be the identification and elimination of technical barriers. Capital intensive infrastructures heavily depend on gas quality analysis for operational security and consequently for their availability, therefore these aspects should also be taken into account when carrying out a cost / benefit analysis of a possible harmonisation, together with the benefit for consumers.