

Centrica Energy
Marble Arch Park House, 116 Park St, Mayfair,
London W1K 6AF, UK
T: +44 (0)1753 494000
M: energytrading@centrica.com
W: www.centricaenergy.com
Registered in England & Wales No 3033654
VAT No: GB 684 9667 62

London, 6th July 2026

Response to ARERA's PSV Liquidity Service Consultation

Dear Sir / Madam,

General observations

Centrica Energy does not support the introduction of the proposed PSV Liquidity Service: The mechanism represents a significant intervention in price formation and cross-border gas flows, with potentially adverse consequences for both Italy and neighbouring European gas markets.

The proposal has not been assessed from a regional market perspective: The mechanism represents a significant intervention in price formation and cross-border gas flows, with potentially adverse consequences for both Italy and neighbouring European gas markets. By subsidising gas deliveries into Italy through a single specific import route, the scheme could attract volumes away from other hubs and trading locations. The proposal has not been assessed from a regional market perspective - an assessment should be undertaken to examine impacts not only on Italy, but also on Germany, Switzerland, Austria, France and other interconnected markets.

Italy itself could be negatively impacted by the mechanism. Price differentials between hubs exist for legitimate commercial reasons, including transportation costs, congestion, security of supply considerations and the need to attract marginal sources of supply, including spot LNG cargoes. It should be noted that the artificial reduction of the TTF-PSV spread could therefore impact the volumes entering from other entry points, including LNG cargoes being re-directed towards other destinations. It should also be noted that the mechanism could distort the PSV forward curve, not just the spot price, thereby further undermining Italy's ability to compete for gas in the global market.

The benefits remain unproven. There is no evidence that the mechanism will deliver durable reductions in Italian gas prices, while the costs and distortions created by the intervention are clear and material. On a day to-day basis, the system's marginal balancing source could still be represented by volumes that are not covered by the liquidity service mechanism. In such a case, a different marginal source (e.g. LNG, or volumes from Passo Gries outside the mechanism) could set the higher marginal price, thereby nullifying the intended effect of the measure.

The proposal is inconsistent with the objective of integrated European gas markets. If individual Member States intervene to suppress hub spreads through national support mechanisms, there is a risk of triggering similar interventions elsewhere, leading to fragmentation of the internal gas market. The proposed measures resemble the 2017 "Liquidity Corridor" and raise significant concerns regarding compliance with EU gas market rules. They appear to interfere with established tariff-setting principles, risk discriminatory treatment between network users, may distort cross-border trade, and could conflict with requirements for cost-reflective tariffs. Similar concerns were raised by the Italian Competition Authority (AGCM) in 2017, which concluded that such interventions could impose costs on consumers while delivering uncertain benefits and distort competition in the Italian wholesale gas market.¹

Comments on the detailed design

Should ARERA nevertheless decide to proceed, the following concerns would need to be addressed:

Temporary versus permanent measure: The proposal should include a clear sunset clause. Centrica does not support the establishment of a permanent market intervention. The mechanism is funded through a finite €200 million budget and should therefore be explicitly designed as a temporary measure, with operation limited to the period for which funding is available. Any extension beyond this period should be subject to a formal review, supported by a robust assessment demonstrating that the mechanism has delivered measurable benefits that outweigh its costs and market impacts.

Index formation and auction timing: The proposed auction window (17:15–17:30) coincides with the formation of the Italian Gas Index (IGI), creating a risk of distorting a benchmark referenced by a large number of contracts. We understand ICIS has indicated that auction outcomes will not be included in its day-ahead price assessment methodology, but the consultation places the auction directly within the price formation window. ARERA should clarify how it intends to manage the interaction between the auction and existing price assessment processes.

Volatility coefficient and remuneration cap: The proposed maximum €0.50/MWh volatility fee cap appears to be based on pre-crisis market conditions and may not adequately reflect current PSV-TTF spread risks. In addition, the yet undefined remuneration cap should fully reflect the actual costs of delivering gas to Italy, including transport, capacity and operational risks. If compensation is set below commercially viable levels, participation in the mechanism and competitive auction outcomes could be significantly undermined.

Pre-booked capacity: the consultation requires more clarity on the ability, or otherwise, to use pre-booked capacity when providing the service. 7.3. makes clear that participation is conditional upon a commitment to enter capacity contracts with the Swiss operator Transitgas that align with the volume and duration of the participant's own offer. But, the text then goes on to say this measure should also apply to transport capacity that is still available both for entry into Italy and within the upstream system, but it's not clear whether this is a general desire or whether it will be a formal requirement of the tender rules.

Conclusion

Centrica Energy opposes the introduction of the PSV Liquidity Service. The proposal risks distorting cross-border gas flows and price formation across Europe, potentially attracting volumes towards Italy at the expense of neighbouring markets and creating unintended consequences for liquidity, competition and security of supply beyond Italy's borders.

Before proceeding further, ARERA should undertake both a comprehensive regional market impact assessment and a detailed legal assessment. The regional assessment should examine impacts on flows, liquidity, prices and security of supply across interconnected markets, while the legal assessment should evaluate compatibility with EU gas market, tariff, competition and market integrity rules. Absent such assessments, there is a material risk that the mechanism would undermine the efficient functioning of the wider European gas market while delivering uncertain benefits to Italian consumers.

Yours sincerely,