

Re: ICIS Response to ARERA Consultation Document 198/2026/R/Gas

ICIS welcomes the opportunity to respond to Consultation 198/2026/R/GAS concerning the implementation of the proposed Liquidity Service and ARERA's preliminary considerations on the integration of the Italian and German gas markets. We support the objectives of enhancing competition, promoting market integration, improving liquidity and reducing unnecessary costs borne by Italian gas consumers.

ICIS is a leading global provider of commodity market intelligence, analytics, price assessments and benchmark services. ICIS has been active in European wholesale gas markets for more than three decades and is one of the leading providers of independent gas market intelligence, pricing and benchmark services across Europe. ICIS publishes pricing and market analysis and analytics covering all major European gas hubs, including TTF, PSV, THE, VTP, PEG and NBP, and its reference prices are widely used by producers, utilities, traders, infrastructure operators, financial institutions and public authorities for risk management, valuation, procurement and market monitoring purposes.

ICIS is authorised by the Netherlands Authority for the Financial Markets (AFM) to act as a Benchmark Administrator and operates in accordance with the requirements of the EU Benchmarks Regulation (EU BMR) and the IOSCO Principles for Financial Benchmarks. Under the EU BMR, benchmark administrators are required to maintain methodologies that are robust, reliable and capable of representing the market or economic reality that a benchmark is intended to measure, including ongoing consideration of the representativeness of underlying market information. ICIS therefore maintains robust governance, methodology and oversight frameworks designed to ensure that its benchmarks remain transparent, representative, and reflective of underlying physical market value.

As an independent provider of wholesale gas pricing, benchmark administration, market intelligence and price transparency services for European gas markets, including TTF and PSV, we strongly support the principles of transparent and competitive price formation, robust and representative benchmarks, efficient market signals, liquid markets, non-discriminatory access to infrastructure and proportionate regulatory intervention. Our comments are therefore focused

principally on the implications of the proposed Liquidity Service for market functioning, price discovery, benchmark integrity and the long-term development of the Italian gas market.

While we recognise ARERA's analysis regarding the persistence of the PSV-TTF differential and that transport costs and route-specific constraints contribute to this outcome, we have concerns regarding the proposed market intervention and its potential implications for market functioning and price formation.

In particular, we believe:

- the existence of a price differential does not in itself demonstrate a market failure;
- intervention designed to compress spreads may weaken important economic signals relating to transportation costs and infrastructure utilisation, ultimately weakening security of supply;
- incentivised liquidity should not be considered equivalent to commercial liquidity;
- the impact of the mechanism on price formation and benchmark integrity warrants further consideration;
- assessment of the mechanism should take into account wider European gas market developments, including LNG import competitiveness, upstream transport constraints and evolving regional price signals;
- structural measures aimed at improving transportation efficiency and market integration should remain the preferred long-term solution;

We recognise that the legislative framework established by Article 10 of Decree-Law 20 February 2026, No. 21, subsequently converted into Law No. 49 of 10 April 2026 (the "Decree"), prescribes several key elements of the Liquidity Service while leaving important implementation decisions to ARERA. Accordingly, our observations focus principally on those aspects of implementation that remain within ARERA's discretion and on the potential implications of the proposed design choices for market functioning, price discovery, liquidity and benchmark integrity.

We therefore recommend that ARERA proceed cautiously and consider whether alternative measures focused on transparency, access to infrastructure and capacity market efficiency may achieve the same policy objectives with fewer risks. Irrespective, we encourage ARERA to adopt a cautious and proportionate approach, supported by clear success criteria, ongoing monitoring, and a defined exit strategy.

General Comments on the Proposed Liquidity Service

1. The existence of a PSV-TTF differential does not necessarily imply market failure

We recognise that the consultation is being conducted within the framework established by the Decree and that ARERA's role is principally concerned with implementation of the Liquidity Service rather than reconsideration of the underlying policy objective. Our observations therefore focus on whether the proposed design is likely to achieve its stated objectives without creating unintended consequences for market functioning and price formation.

The consultation identifies the persistence of a premium of the PSV day-ahead contract relative to TTF and attributes much of this differential to transportation costs, route constraints and 'tariff stacking' along import corridors. ARERA further notes that, despite the normalisation of European gas markets following the 2022-23 energy crisis, the spread between PSV and TTF has remained above the levels observed prior to the crisis and therefore may indicate incomplete market integration.

We recognise the evidence presented by ARERA and agree that transportation costs remain the principal structural driver of the PSV premium. Indeed, the existence of a spread between PSV and TTF is consistent with the economic reality that Italy remains dependent on transportation routes traversing multiple transmission systems and jurisdictions.

However, it is important to distinguish between the existence of a price differential and evidence of a market failure.

Price differentials between hubs are a normal characteristic of geographically distinct but interconnected commodity markets. They frequently reflect transportation costs, infrastructure constraints, balancing requirements, capacity scarcity and differing regional supply-demand dynamics. These differentials provide important economic signals regarding the value of transportation capacity, infrastructure access, and regional market conditions.

In our view, the question is not whether PSV continues to trade at a premium to TTF, but whether the residual premium reflects efficient transportation and infrastructure costs, temporary or cyclical market conditions or a market failure that cannot be remedied reasonably through existing market mechanisms.

We also believe further consideration should be given to the recent evolution of the spread. While longer-term averages remain elevated, more recent observations suggest a material narrowing relative to the averages cited in the consultation. Based on our own market observations, the ICIS PSV-TTF Day-Ahead differential averaged approximately €2.65/MWh over the twelve months to 30 June 2026, broadly consistent with the consultation's findings. However, since the beginning of

the Summer 2026 injection season in April 2026, the average differential has fallen to approximately €1.59/MWh.

While this observation does not invalidate ARERA's analysis, it suggests that the picture may be more nuanced than a simple conclusion that post-crisis premiums have become permanently entrenched. It also highlights the importance of considering not only current spread levels but the likely evolution of market fundamentals over the coming years. European gas markets are entering a period characterised by substantial additions of global LNG liquefaction capacity, evolving LNG trade flows and changing transportation dynamics. These developments have the potential to influence regional gas balances, transportation economics and hub differentials independently of the proposed Liquidity Service.

We therefore encourage ARERA to distinguish carefully between structural and cyclical components of the PSV premium when assessing the need for intervention. The consultation clearly demonstrates the existence of a differential. However, additional evidence may be required to demonstrate that the residual differential represents a persistent structural inefficiency that is unlikely to narrow further through normal market developments and changing supply conditions.

2. Relevance of previous competition authority observations

We note that the Italian Competition Authority (AGCM), in Opinion AS1462¹ concerning the proposed "Corridoio della Liquidità", expressed concerns that interventions designed to reduce differences between PSV and northern European gas prices risk altering the functioning of an otherwise competitive wholesale market, selectively favouring certain market participants or infrastructure routes and imposing certain costs in pursuit of uncertain benefits. The AGCM concluded that the proposal risked altering competitive dynamics in a disproportionate manner.

We recognise that the market environment considered by AGCM in 2017 differs significantly from today's market conditions. In particular, the European gas market has undergone fundamental changes following the energy crisis, shifts in supply patterns and the increasing role of LNG in the European supply mix. Nevertheless, we believe that the underlying principles identified by the Competition Authority remain relevant. The PSV-TTF differential continues to be driven principally by transportation costs, infrastructure access and cross-border market dynamics, and therefore questions relating to proportionality, competitive neutrality, market-based price formation and the balance between intervention and structural reform remain highly pertinent. For these reasons, we believe the AGCM's observations continue to provide a useful framework for

¹ Autorità Garante della Concorrenza e del Mercato (AGCM), 8 November 2017

[https://www.agcm.it/dotcmsCustom/getDominoAttach?urlStr=81.126.91.44:8080/C12563290035806C/0/56D0110F3555B33BC12581E0004A93B3/\\$File/AS1462.pdf](https://www.agcm.it/dotcmsCustom/getDominoAttach?urlStr=81.126.91.44:8080/C12563290035806C/0/56D0110F3555B33BC12581E0004A93B3/$File/AS1462.pdf)

assessing the potential competitive and market-design implications of the proposed Liquidity Service.

We recognise that the current consultation takes place within a different legislative and market context and that ARERA is acting pursuant to a statutory mandate. Our reference to the AGCM opinion is therefore intended as a contribution to the discussion of implementation, proportionality and market design rather than as a challenge to the policy objectives established by the Decree.

ICIS Comments on Parte II – Descrizione del servizio di liquidita’

Section 3 – Auction design

We support ARERA’s decision to pursue a transparent and competitive mechanism rather than administrative allocation. Competitive processes are generally preferable where interventions are considered necessary.

Recognising that the establishment of a Liquidity Service is required under the Decree, we believe the proposed auction nevertheless raises a number of important market-design considerations that fall within ARERA's implementation remit.

Firstly, the mechanism introduces liquidity that arises between contractual obligations and associated remuneration. It is important to distinguish between liquidity that emerges from voluntary commercial activities and liquidity that results from regulatory incentives. While auction activity may increase visible trading volumes, it does not necessarily follow that overall liquidity, or market quality will improve.

Second, the consultation does not fully consider the potential interaction between the auction and broader market price formation. Market participants may adapt their trading behaviour around the auction process, altering procurement, hedging, and liquidity provision decisions. As a result, the auction may influence price formation not only through transactions executed within the mechanism itself but also through changes in participant behaviour in adjacent market segments.

It should not be assumed that such changes will benefit PSV and a number of plausible scenarios exist where such influences could result in higher differentials and/or perverse incentives to avoid flowing gas to PSV.

More broadly, mechanisms designed to influence wholesale market outcomes should be assessed not only in terms of their impact on spreads and volumes, but also in terms of their effect on confidence in market-based price formation. If market participants increasingly perceive prices as reflecting regulatory incentives rather than underlying supply and demand fundamentals, the quality and transparency of the price signals used for trading, hedging and valuation and investment decisions may be reduced.

We also note that the consultation focuses primarily on day-ahead and weekend contracts, with relatively limited consideration to the potential impacts on balancing markets and intra-day liquidity. To the extent that the mechanism alters transportation flows, procurement behaviour or hedging activity there may be consequential effects on liquidity and price formation in adjacent markets segments.

Several market participants have also questioned how balancing obligations may evolve in circumstances where the mechanism materially influences the timing of gas procurement decisions or contributes to a concentration of activity around the day-ahead market. While these effects may ultimately prove limited, we believe they warrant monitoring as part of any post-implementation review process.

Finally, given the importance of benchmark prices to market participants, consumers, and policymakers, we encourage ARERA to carefully assess the effect of the mechanism on benchmark representativeness, price discovery, and the continued ability of market prices to reflect underlying market conditions.

Section 4 – Revenue recovery

We have no substantive comments on the proposed revenue recovery mechanism.

However, given the policy objectives of the measure, we encourage ARERA and Snam to publish regular information regarding aggregate auction outcomes, recovered revenues and overall scheme performance. Such transparency would assist market participants in assessing the effectiveness of the measure over time.

Section 5 – Identification of one or more entry points

We recognise the rationale for focusing the proposed mechanism on Passo Gries and acknowledge the importance of this corridor within current north-west European import flows into Italy.

Nevertheless, interventions targeted at a single infrastructure route may influence commercial incentives and alter competitive dynamics between transportation corridors. This issue was also highlighted by AGCM in its review of the earlier Liquidity Corridor proposal.

We therefore encourage ARERA to review periodically whether the concentration of the mechanism on a single route remains justified by prevailing market conditions.

We further encourage ARERA to consider the potential effect of the mechanism on holders of pre-existing transportation capacity and ensure that participation in the Liquidity Service does not inadvertently disadvantage market participants that have already committed capital to long-term transportation arrangements.

We also note that the availability of incremental imports into Italy may depend not only on transport capacity across the Swiss transit system but also on transportation availability elsewhere along the relevant supply chain. The consultation focuses principally on Passo Gries and Transitgas capacity. However, the practical ability of market participants to source and transport additional volumes may also depend upon upstream transportation availability in adjacent systems. Greater transparency regarding these assumptions would assist stakeholders in evaluating the likely effectiveness of the mechanism.

Section 6 – Non-Performance provisions

We agree that effective non-performance provisions are necessary to preserve the integrity of the mechanism.

However, penalties should be calibrated carefully to discourage strategic non-compliance without imposing excessive participation risk that could ultimately reduce competition and participation within the scheme.

Market participants would also benefit from additional clarity regarding the operation and economic consequences of the proposed penalty arrangements. The relationship between non-performance charges and participants' commercial incentives may be an important determinant of market behaviour and participation decisions. Greater transparency regarding the intended operation of the mechanism would therefore support market understanding and facilitate more informed participation.

Such approaches have historically proved difficult in practice to enforce due to the international nature of commodities markets. Trading in proxies outside of a regulator's jurisdiction can easily avoid such mechanisms where economic incentives exist.

ICIS Comments on Parte III – Aggiudicazione del servizio

Section 7 – Eligibility

We support broad and non-discriminatory participation criteria.

To maximise competition and effectiveness, access to the mechanism should be available under transparent market conditions that do not favour particular categories of participant or existing market positions.

Failure to be sufficiently even handed will simply provide economic advantage to those whose position allows them to take advantage of the opportunity.

Section 8 – Bid structure and maximum values

The proposed remuneration framework will play a central role in determining participant behaviour.

We encourage ARERA to ensure the mechanism provides sufficient incentives to attract participation without creating incentives that substitute for normal commercial liquidity provision.

The key objective should be to complement market activity rather than replace it. Excessive reliance on regulatory incentives risk creating dependency on the mechanism and will weaken incentives for organic liquidity development over time.

Section 9 – Selection methodology

We have no specific observations regarding the proposed selection methodology.

However, we encourage ARERA to review periodically whether the chosen weighting approach continues to support the stated objectives of the scheme and whether the mechanism is delivering measurable benefits relative to its cost.

Section 10 – Information disclosure

We strongly support robust transparency arrangements. In addition to the information proposed in the consultation, consideration should be given to publishing periodic information regarding:

- aggregate participation levels;
- details of the volume procured;
- average remuneration levels;
- observable impacts on PSV (and adjacent markets);
- progress against stated objectives.

Transparent reporting would facilitate independent assessment of the effectiveness of the mechanism and support confidence in the ongoing operation of the scheme.

ICIS Comments on Parte IV – Fabbisogno di gas naturale oggetto degli obblighi di offerta (required volumes)

Section 11 – Criteria for defining the need.

A significant feature of the consultation is the absence of clearly defined success criteria and an identified end-state for the Liquidity Service.

The consultation establishes detailed arrangements governing procurement, auctions and funding limits. However, it does not establish objective measures of success, criteria for continuation, review triggers, or termination conditions.

This distinction is important because market participants will naturally behave differently depending on whether the mechanism is perceived to be temporary, recurring or permanent.

We strongly encourage ARERA to establish clear performance indicators, periodic reviews, transparent ex-post assessments as well as formal termination provisions.

We also note uncertainty regarding the relationship between available budget resources, transportation capacity and the volumes ultimately capable of being delivered through the scheme.

In particular, the consultation's assessment of available capacity appears to focus primarily on Passo Gries and the Swiss transit system. However, the practical availability of incremental imports may also depend on transportation capacity on preceding segments of the route, including interconnection capacity required to bring gas into Germany and subsequently into Transitgas.

To the extent that other capacity is constrained or already substantially committed, the volume of gas capable of responding to the mechanism may be lower than suggested by analysis focused solely on the Swiss segment. Greater transparency regarding these assumptions and expected achievable volumes would assist stakeholders in assessing the likely effectiveness of the measure.

We recognise that the overall budget allocated to the mechanism is established by the Decree and therefore falls outside the scope of the present consultation.

We further note that the consultation assumes the availability of a fixed €200 million budget while market conditions, wholesale gas prices and transportation economics continue to evolve. The consultation contains extensive analysis regarding optimisation of the available budget, but market participants may derive more comfort with further analysis whether the budget itself remains sufficient to achieve the stated objectives under current market conditions.

The economic assumptions underpinning the measure were developed in a materially different market environment. Since that time, both wholesale gas prices and transportation economics have evolved. Consequently, the relationship between available funding, achievable volumes and expected market impact may differ from the assumptions originally underpinning the mechanism.

We also note that the effectiveness of the mechanism will depend not only on the amount of funding available but also on the behavioural response of market participants. The consultation necessarily assumes that market participants will respond to the incentives created by the scheme in a manner broadly consistent with the intended policy objective. In practice, however, market outcomes may be highly sensitive to trading behaviour, hedging strategies, and commercial positioning. Given the concentration of activity within parts of the European gas market, the decisions of a relatively small number of large participants could materially influence the effectiveness of the mechanism and result in outcomes that differ from those anticipated in the consultation.

For this reason, we believe that assessment of the scheme should not focus solely on questions of budget adequacy, transportation capacity, and achievable volumes. Equal consideration should be given to participant incentives and potential behavioural responses, including the possibility that market participants adapt trading strategies in ways that reduce, offset, or otherwise alter the intended impact of the mechanism.

We therefore encourage ARERA to provide greater transparency regarding the sensitivity of expected outcomes to changes in market conditions, including higher gas prices, changing transportation costs and different procurement outcomes. Such analysis would assist stakeholders in understanding whether the mechanism is likely to achieve a meaningful and sustained impact under a range of plausible market scenarios.

Finally, continuation of the mechanism beyond its initial implementation phase should be contingent upon evidence demonstrating measurable consumer benefits, effective use of resources and the absence of material unintended consequences. In the absence of clearly defined success criteria and periodic reassessment, there is a risk that a mechanism introduced to address a perceived market deficiency becomes a permanent feature of market design without a clear demonstration of continuing necessity.

ICIS Comments on Parte V – Primi orientamenti sulla proposta di integrazione dei mercati. (First guidelines on proposed market integration)

Section 11 – Initial thoughts on Italian and German gas market integration

We support ARERA's objective of identifying structural solutions capable of improving market integration and reducing unnecessary frictions between European gas markets.

We recognise that the Decree explicitly requires ARERA to examine options for further integration of the Italian and German gas markets through Swiss infrastructure. Our observations therefore focus primarily on ensuring that any future integration framework preserves transparency, competition and market-based price formation

In our view, improvements in transportation efficiency and market access are likely to provide more durable benefits than recurring intervention in wholesale market outcomes.

The consultation identifies implicit allocation as a possible future mechanism for market integration. While implicit allocation may offer operational benefits and improved efficiency in the use of transportation capacity it also raises important questions regarding transparency and price discovery.

One of the principal achievements of European gas market development has been the creation of transparent price discovery for both commodity and transportation value. This transparency allows market participants to understand the relative contribution of commodity fundamentals, transportation costs, and congestion to observed hub differentials.

Implicit allocation may improve operational efficiency, but it may simultaneously reduce the visibility of transportation and congestion costs, and locational price signals by embedding these elements within a combined allocation process. To the extent that these signals become less transparent, market participants, regulators and benchmark users may have a less complete understanding of the factors driving market outcomes.

This issue is particularly relevant given the role that transportation costs and infrastructure access currently play in explaining the PSV-TTF differential. In our view, any future integration framework should seek not only to improve efficiency but also to preserve transparency and observability of the underlying economic signals that support price discovery and investment decisions.

Consideration should also be given to the implications of any future implicit allocation framework for market monitoring, benchmark interpretation and competitive neutrality. We therefore encourage ARERA to undertake a dedicated assessment of these issues before considering progression of any implicit allocation mechanisms.

We also encourage ARERA to assess the effectiveness of the Liquidity Service within the broader context of evolving European gas market dynamics rather than solely through reference to the PSV-TTF differential. Future gas flows will increasingly be influenced by changing regional supply patterns, transportation constraints, and evolving hub economics. As these dynamics develop, the relative attractiveness of different delivery points and trading hubs may change independently of the Liquidity Service itself.

In particular, consideration should also be given to the interaction between PSV pricing and Italy's attractiveness as a destination for flexible LNG supply. LNG has become an increasingly important source of marginal and balancing supply within European gas markets and responds dynamically to price signals across competing hubs and delivery points. To the extent that the Liquidity Service alters those signals, there may be secondary effects on LNG cargo allocation, regasification infrastructure utilisation and LNG investment signals that are not explicitly considered within the consultation. In our view, future assessments of the effectiveness of the mechanism should take into account not only the PSV-TTF spreads and pipeline flows, but also the potential impact on LNG competitiveness and supply diversity.

Finally, we note that Switzerland occupies a unique position within the proposed framework and sits outside the EU internal gas market framework. Any future integration model involving implicit allocation across Swiss infrastructure should therefore be assessed not only on the basis of operational efficiency but also in terms of governance, regulatory certainty, and long-term durability. Market participants will require confidence that any such framework can provide transparent and predictable arrangements over extended investment and trading horizons.

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