



Energie-Control Austria
für die Regulierung der Elektrizitäts- und Erdgaswirtschaft
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Consultation according to Articles 26 and 28 TAR NC – implementation of the network code on harmonized transmission tariff structures – Comments from Storage Operators point of view (NAFTA, OMV Gas Storage, Pozagas, RAG-Energy Storage and Uniper Energy Storage)

Dear Sir/Madam,

with this consultation, the regulatory authority has decided on a massive change in the applied tariff method resulting in **significant price increases for domestic customers (households and industry), importers of gas to Austria from alternative “non-russian” supply sources and at storage connection points (SCPs)**. Furthermore, Security of Supply may be endangered as Austria may not be able to make use of its large storage capacities.

The newly proposed reference price method (RPM) of capacity-weighted distance will lead to a significant increase of tariffs at SCPs (+184% to 463%) in the transmission system and consequently tariffs at SCPs in the distribution zone. A rough estimation indicates additional costs of 15 mn EUR/year (+160%), as the costs of the transmission line level will be passed on to the distribution network.

In addition to the arguments presented below, the overarching aim must be the significant reduction of grid costs.

A.) Huge Tariff variations within few years destroy storage value in the market

In 2023 storage tariffs have been increased by more than 400% by introducing a variable transport fee. After a reduction in 2024 tariffs at the storage connection points (+184% to 463%) will further increase according to the new proposed RPM in 2025. This further substantial tariff variation and corresponding unpredictability of tariffs within 3 years lead to a massively negative impact on booking behavior by storage customers and will endanger the ability to achieve the required filling level on market-based principles. It also contradicts a predictable regulatory framework by reducing the value of storage bookings.

The booking and tariff regime at storage connection points (SCPs) requires appropriate flexibility to book different durations adjusted to the needs of storage usage. Unlike other regimes in Europe where the storage customer book and pay the transport fees according their individual storage

portfolio the current regime with annual bookings by the SSOs offers limited optimization possibilities of related transport bookings. This also limits possibilities to adjust the long-term bookings in the distribution area at SCPs.

B.) Imports from alternative supply routes and domestic customers are penalized

By adapting the existing Reference Price Method (RPM) the new capacity-weighted distance method leads to a massive increase in the entry point tariffs just for Entries other than the import route of Russian gas via Baumgarten into the Austrian gas market. This is detrimental to the political aim to diversify gas supply sources.

	Entry 2024 (EUR/MWh)	Entry 2025 (EUR/MWh)	Plus
Oberkappel	0,11	0,34	206,2 %
Baumgarten	0,10	0,13	30,6 %
Arnoldstein	0,11	0,48	330,9 %

Exits, however become only slightly more expensive or even cheaper.

In contradiction the transfer point (VÜP) to the distribution area will be disproportionately expensive (164,3 %). Thus the burden sharing is put on domestic household customers and industry while neighboring countries profit.

	Exit 2024 (EUR/MWh)	Exit 2025 (EUR/MWh)	Plus / Minus
Oberkappel	0,37	0,28	- 23,9 %
Baumgarten	0,14	0,14	1,6 %
Überackern	0,33	0,25	- 23,9 %
Moso	0,14	0,14	1,6 %
Murfeld	0,22	0,25	14,7 %
Arnoldstein	0,50	0,40	- 20,2 %
Distribution area	0,05	0,13	164,3%

Furthermore, the future entry bookings in terms of their volume are assumed in an extremely optimistic and unsecure (even considering short term bookings) and don't reflect the contractual reality of long-term gas supply contracts.

TWh/a	2025	2026	2027	2028
Oberkappel Entry booked	34,86	19,27	17,30	17,35
Oberkappel Entry ECA projection	96,25	114,86	123,19	122,90

(Buchungsmengen: Entsog Transparency Platform; ECA Projection Consultation Document)

Using the example of Entry Point Oberkappel it becomes obvious that the booked quantities are supposed to increase massively (from 34 TWh actually booked to 122 TWh in 2028) even though the price will triple! As a detail, it should be noted that the design capacity in Oberkappel is currently 90 TWh/year. (Noticed from relevant media the status of WAG expansion is still pending and before environmental impact assessment)

In case the bookings stay below the assumptions, a spiral of price increases will probably occur with the effect of both endangering security of supply and massive competitive disadvantages for Austrians economy.

Furthermore, it is unclear now whether imports via the Ukraine transit route will arrive in Baumgarten from 1st Jan 2025 onwards and the expansion of WAG will be realized.

>>> Considering the huge negative impacts on storage use, increased prices for domestic customers and opposite incentives to diversify supply routes we propose to keep the existing reference price method (RPM) as long there is an unclear flow situation in Baumgarten after 2024 and a final investment decision on the WAG expansion is taken. A new evaluation of the flow situation and booking assumptions shall be done mid of 2025 to have more robust data for deciding and adaption of the existing RPM.

C.) Additional proposals on the chapter 1 “Description of the proposed reference price methodology (Article 26(1)(a) TAR NC)”

a.) Introduction of a brake on price increases

The change in the reference price method will lead to significant market distortions for the competitive situation at storage sites and will disrupt the maintenance of tariff stability from one regulatory period to the next. For example, when the 2020-2024 reference price method was introduced, the fee increase was capped at a maximum of 10% to protect contracts already concluded and avoid market distortion. By considering a rescaling factor (new proposal) in accordance with Art. 6(4)(c) of the Tariff Network Code, it is stipulated that the charge at the entry and exit points is to be multiplied by a constant (rescaling factor). The need for this adjustment arises from the effects of the disproportional high increases in charges at storage connection points and also at border transfer points.

b.) Homogeneous groups of points - section 1.2.4 of Consultation document:

Setup of homogeneous groups of points, i.e., groups of Entry or Exit points within which, due to their homogeneity, one common tariff is established, what must reflect the basic requirements for non-discriminatory access to gas market participants. It must also enable the fulfilment of one of the basic EU objectives in the field of economic competition - to set equal and fair conditions (level playing field) supporting effective competition. Securing / maintaining a competitive environment was a priority for E-Control when setting up the homogeneous group of points applied within RPM (E-Control consultation document dated 6/11/2019, section 1.1, point 4) f. on page 5).

We are of the opinion that setup of homogeneous groups of points proposed by E-Control is contrary to the definition introduced by NC TAR, according to which homogeneous groups of points cannot comprise of entry or exit points of different types:

“Homogeneous groups of points mean a group of one of the following types of points: entry interconnection points, exit interconnection points, domestic entry points, domestic exit points, entry points from storage facilities, exit points to storage facilities, entry points from liquefied natural gas facilities (hereinafter, referred to as ‘LNG facilities’), exit points to LNG facilities and entry points from production facilities.”

>>> Taking into consideration of the above mentioned arguments we propose to E-Control a return to the previous setup of homogeneous group of points „storage group“, within which a common tariff will be set for storage facilities connected to the transmission network (Storage MAB and Storage Penta West) and connected to the distribution system.

c.) Adjustment at entry and exit points to storage facilities discounts - section 1.3

Discount to transmission tariff at Entry and Exit point to the storage must be set to avoid double charging for transmission to and from the storage, acknowledging the general contribution to system flexibility and security of supply of such infrastructure.

The change of discount at Exit point to the storage from 50% applied within RPM to 0% to be applied in RPM proposed by E-Control ignores above mentioned principles. This could lead to situation when changed market conditions do not enable storage capacity allocation in an economically reasonable way which could negatively impact security of supply in Austria.

Further, we are of the opinion that setup of discounts to capacity-based transmission tariffs at entry points from the storage and exit points to the storage proposed by E-Control is contrary to the requirement of NC TAR, according to which discount of at least 50% shall be applied to entry point as well as to exit point from the storage:

“A discount of at least 50 % shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, unless and to the extent a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point”.

>>> Taking into consideration of the above-mentioned points we propose to E-Control a return to the previous discount at Exit points to the storage at a level of 50%.

d.) Cross-border storage use does not compete with cross border points - section 1.3 of Consultation document but enhance security of supply and required EU solidarity principles.

In particular, the constellation is not comparable to cross-border gas transport. Cross-border storages should be not considered in the same way as TSO cross-border points, as the essence of the service provided by the storage is not transportation but storage itself whereas the SSO has to bear all the costs associated with storing of gas. Simultaneous cross-border injection and withdrawal is possible to a limited extent due to technical and contractual restrictions and is therefore not comparable to cross-border transport.

Competition is therefore incorrect, since the storage customer books working gas volumes with injection and withdrawal capacity and pays an additional storage fee to the SSO. Therefore, the fee basis FZK fee at the nearest border coupling point, including the daily multiplier, is not appropriate. Instead, the FZK fee for cross-border storage use would have to be derived from a fee for the storage cluster (see reasoning above). In accordance with Article 2 of the EU Regulation establishing a network code on harmonized transmission tariff structures, the application of multipliers only applies to border transfer points and not to storage connection points.

>>> Therefore, we propose a yearly multiplier (instead of daily) shall be used for calculation of the rates for system utilization for cross-border use of storage facilities and only to the extent where the rates for system utilization for cross-border use of storage facilities might be applicable.

Summary

The signing SSOs strongly oppose the proposed new reference price method to be introduced at this time of uncertain flow developments in 2024 and 2025. A review on flow assumptions shall be made mid of 2025 to take a decision on robust flow data. Even though the RPM is described in detail in the Network Code Tariffs, it explicitly allows the use of other reference price methods.

The massive and unforeseeable increase in tariffs will lead to a massive decline in capacity bookings which will inevitably lead to even higher tariffs. So, averting such an impending price spiral is of highest importance (inherent "volume risk"). Huge Tariff variations within few years destroy confidence and storage value in the market. There are various options (also used in the existing RPM) to avoid massive negative impacts on undue tariff variations which should be applied as described above.

Lower import costs provide incentives for further gas diversification and contribute significantly to security of supply in Austria. Domestic customers shall not suffer from higher prices for paying for the stranded assets that are not any longer used by transit shippers.

Best regards,

NAFTA a.s.

OMV Gas Storage GmbH

POZAGAS a.s.

RAG Energy Storage GmbH

Uniper Energy Storage GmbH