

Explanatory Notes on the *Gas-Marktmmodell-Verordnung Novelle* (Gas Market Model [Amendment] Ordinance) 2013

General Part

The *Gas-Marktmmodell-Verordnung* (Gas Market Model Ordinance) 2012 prepared the legal ground for the successful introduction of a new gas market model in Austria on 1 January 2013. First experience confirms that the transfer was achieved without major hiccups, thanks to the market player's efforts to have all necessary systems ready in time. Market participants generally welcomed the new model. After receding in the run-up to the transition in December, trading activity at the virtual trading point has picked up again and already normalised to the high levels observed in previous years. Also daily balancing for customers without load meters, introduced to facilitate retailers' supply activities, has proven practical. Linepack has so far been sufficient to cover these consumers' imbalances. In addition, the new *Gas-Monitoring-Verordnung* (Gas Monitoring Ordinance) 2013 has been promulgated in the Federal Law Gazette (FLG II no 63/2013), enabling improved analyses of the gas market. Its goal is to ensure that any shortcomings of the new market model are detected and amended continuously.

The positive experience gained during the first implementation months has also enabled us to pinpoint a number of areas where adjustments would be beneficial. The present Ordinance introduces such adjustments, particularly with regard to: nomination and renomination rules (clarifications on the applicability); the clearing and settlement agent's balancing rules (more details, and minor revisions to reflect the market reality and the capacity situation); the special balance groups of the clearing and settlement agent, the market area manager and the system operators (more explicit rules); and the group of customers in the daily balancing regime (extension).

Special Part

Regarding section 9:

Para. 5: Given that the Austrian transmission system operators have joined the European online platform PRISMA to market their capacity, it is the GTC of the operator of that platform which are relevant for the system users. The provision also makes clear that for the time span during which secondary capacity is marketed through the market area manager's online platform, the relevant platform operator's GTC for use of its platform apply.

Regarding section 11 paras 3, 4, 6, 7, 9 and 13:

Even though the changes introduced only refer to the above-mentioned paragraphs, the entire section has been included in the amendment in the interest of readability.

Para. 3: When checking for nomination and renomination limits, the relevant reference unit is the balance group or sub-account (previously: the system user). Also, only the firm capacity allocated is relevant for these limits because the amount of interruptible capacity that can be allocated is basically endless. The renomination limits apply from 1 October 2013.

Para. 4: This paragraph has been amended to clarify two issues: firstly, also renominations (not only nominations) are first assigned firm, then interruptible capacity; secondly, the reference period for calculating the nomination limits is the hour (i.e. hourly renomination limits result from the hourly nominations).

Para. 6: In the interest of operational practicality of nomination and renomination rules, the relevant time period has been adjusted to 365 days (previously: 12 months). It has been clarified that whether a system user is exempted from the renomination limits or not must be determined for each direction of gas flow separately (i.e. a user might be subject to the limits in one direction but exempt from them in the other). An exemption only applies if the system user in question does not join its capacity with that of a non-exempted system user and if the balance group or sub-account as a whole does not on average hold 10% or more of the booking point's

technical annual capacity. The renomination limits do not apply to day-ahead capacity; this is to protect small system users from having to comply with the limits for an entire year just because of an isolated large day-ahead booking.

Para. 7: The restrictions on the use of sub-balancing accounts have been lifted. In terms of entering capacity into balance groups or sub-accounts, the BRPs' possibilities now also include the following cases (without circumventing renomination limits):

- Several system users may enter capacity into the same sub-account and/or balance group;
- Each system user may enter capacity into several balance groups and/or sub-accounts (even with several BRPs).

Paras 9 and 13: References in these paragraphs have been corrected.

Regarding section 15 para. 3:

The DAM allocates capacity at distribution-level cross-border interconnection points on a first come - first served basis; this differs from allocation at transmission level.

Regarding section 18 paras 2, 6, 7 and 7a:

Para. 2: The CSA's clearing and settlement tasks now explicitly include the distribution area, the distribution-level cross-border interconnection points, the special balance groups in the distribution area, and the deviations of metered biogas injection from schedules.

Para. 6: The text of the 2012 Ordinance provided that system users with load meters fall under the hourly balancing regime; only under certain circumstances could they opt for daily balancing. Technical and economic considerations, combined with first experience from the live operation of the new market model, have prompted us to increase the threshold for hourly balancing with effect from 1 October 2013. System users have not so far caused any imbalances that could not be covered from linepack. On these grounds, from 1 October 2013 online meter reading will only be necessary for system users with a contracted capacity of more than 10,000 kWh/h; for all users below that threshold, para. 5 specifies that daily balancing will be the default option.

Para. 7: Load-metered system users with contracted capacities between 10,000 kWh/h and 50,000 kWh/h can choose whether they want to be balanced according to a daily or hourly rhythm; they can change their regime annually. The prerequisite for daily balancing, however, is that the meter readings are available online and accessible for the distribution area manager to control the distribution area. Declarations for one or the other balancing period are considered as system access applications, and therefore system operators must handle them in accordance with the respective rules.

Para. 7a: In the interest of clarity, this provision states that submission of online meter readings must comply with the GTC of the distribution area manager, who publishes them in a timely manner. They are meant to enable flexible handling of data submission for the purpose of system control.

Regarding section 19:

Para. 12: If a contract that is needed for BRP licensing in the eastern market area should cease to be effective the relevant market players need to be informed. This paragraph covers the notifications involved in this case.

Regarding section 23 para. 1:

To ensure that capacity management rules can function and that compliance with the renomination limits pursuant to section 11 can be verified, it is necessary that system users enter all of their booked capacity into balance groups or sub-accounts.

Regarding section 24 paras 1, 2, 3, 4 and 7:

Paras 1, 4 and 7: The restriction of the rules for special balance groups to the distribution area has been lifted, i.e. these rules have been extended to the transmission level as well and are now applicable to all system operators in the market area.

Para. 2: This stipulation now explicitly states that the CSA's balance group is also subject to the regulations for special balance groups. The list of agreements necessary for these balance groups has been completed to account for this circumstance.

Paras 3, 4 and 7: Nominations have been included in these paragraphs, thereby covering now also the transmission level.

Regarding section 25 para. 4:

Item 2: Given that the SLP forecasts are processed by the BRPs, the DAM must draw up such forecasts at the level of suppliers and at the level of DSOs.

Items 6 and 7: These items stipulate that biogas injection schedules and nominations for distribution-level cross-border interconnection points must also be sent to the CSA, thereby ensuring that the latter has all the necessary data for clearing.

Regarding section 25 para. 8 item 5:

This stipulation now also applies to the DSOs' meter readings that the CSA needs for clearing, as well as data transmission to the DAM.

Regarding section 26 paras 1, 4, 5 and 6:

Para. 1: This stipulation now explicitly states that clearing of discrepancies between scheduled and metered volumes in the distribution systems lies with the CSA (not the MAM).

Para. 4: Some market players thought that the time allowed for correcting daily imbalances was insufficient. Given that the MAM's first hands-on experience indicates that system stability is not normally jeopardised if BRPs are given more time, this paragraph now creates an option for the MAM to extend the one-hour deadline. System stability depends on the net imbalances in the network, i.e. the MAM must monitor the entire network and adjust the deadline as appropriate.

The MAM squares daily imbalances by procuring the necessary energy from the exchange at the VTP on behalf and for account of each BRP; the provision now clearly states that the best possible price is the exchange price.

Some market players criticised the amount of the balancing incentive markup (0.4 cent/kWh), but to ensure that market players are sufficiently incentivised to hand in balanced nominations, we have decided to maintain the markup at this level for the time being. However, we are envisaging that the MAM's GTC could soon include a provision that enables more flexibility in this regard; particularly where negligible imbalances are concerned, deviating from the uniform markup should be possible.

As a general rule, this paragraph is not applicable to the CSA's special balance group.

Para. 5: The originally foreseen D+2 carry forward created a situation where there could be two different balances on the account. This was not sufficiently transparent for market players. The changed provision now ensures full transparency: market players are informed of their account balance by way of a time series which is calculated each time a renomination is received. Given that the change requires adjustments to the MAM's IT systems, it will only come into force on 1 June 2013.

Para. 6: This paragraph essentially contains a clarification, namely that the MAM's, CSA's and TSOs' special balance groups do not have to pay any balancing incentive markup; this is meant to avoid unnecessary system cost.

Regarding section 27 paras 4 and 5:

Para. 4: In accordance with current practice, this stipulation now explicitly states that clearing of entries and exits at distribution-level cross-border interconnection points is done daily, using hourly meter readings, unless the system operators concerned have concluded an OBA.

Para. 5: Besides correcting a reference, the stipulation now allows the CSA three working days following receipt of the SO data (end of clearing) for settling the previous month. This change was necessary for reasons of system operation.

Regarding section 28 para. 2:

The DAM must update its supplier-specific SLP consumption forecasts three times before midnight during each gas day.

Regarding section 32 paras 2, 4, 5 and 6:

Para. 2: First experience with linepack deployment and the results of the CSA's first clearing indicated a need for adjusting the incentives for consumers under the hourly regime. The second sentence now sets a uniform markup/offset of 3% on the volume-weighted hourly average price, applicable from 1 April 2013.

The last sentence of the paragraph has been corrected for an editorial mistake: it is now clear that no markup/offset applies to the last available imbalance price. There is also a clearer indication of which exchange price is to be used in the absence of DAM procurement.

Para. 4: The scope of this paragraph is explicitly extended to settlement of cross-border interconnection points at distribution level. The exchange reference price that applies is specified in more detail.

Para. 5: The required precision level is now clearly set to at least three decimal points, but more precise figures are allowed.

Para. 6: Only if clearing and settlement results in a shortfall at the CSA's, this is reflected in the contribution payable by system users in the daily regime. If there is an overhang, this is registered and used to offset future shortfalls.

Regarding section 35 para. 2:

Requirements for the CSA to conclude the respective contracts are introduced.

Regarding section 37 paras 6 and 7, section 41 para. 4, section 42 and section 44 paras 3, 4 and 5:

The changes introduced to section 18 paras 6 and 7, section 27 para. 5, section 28 para. 2 and section 32 paras 2 through 6 are also transferred to the Tyrol and Vorarlberg market areas.

Regarding section 46 para. 8 and section 47 paras 5 to 7:

Most of the changes introduced by the amendment will enter into force on 1 April 2013 in the eastern market area and on 1 October 2013 in the Tyrol and Vorarlberg market areas. Section 26 para. 5 applies from 1 June 2013 to allow for adjusting the IT systems. For the same reason, the nomination and renomination rules in section 11 paras 3, 5, 6, 9 and 10 only apply from 1 October 2013.

Regarding point III(1)(1) of annex 1:

DSOs are explicitly required to notify the DAM without delay of any customers waiving their right to filing a capacity expansion application.