Cover page

Content:

The Ordinance regulates system access as well as balancing, clearing and settlement pursuant to section 41 *Gaswirtschaftsgesetz* (Natural Gas Act) 2011 and amends the *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012.

Alternatives:

None

Effects on Austria as a place for doing business:

Efficient and market-based mechanisms for capacity allocation in natural gas systems and the related rules for balancing, clearing and settlement promote a competitive, EU-wide integrated natural gas market and contribute to secure and cost-effective natural gas supply.

Financial effects:

No impact on the budget of the state or the federal provinces

Union legislation framework:

The rules implement the regulatory regime, reflected in the *Gaswirtschaftsgesetz* (Natural Gas Act) 2011, of Directive 2009/73/EC concerning common rules for the internal market in natural gas in consideration of Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks and Commission Regulation (EU) 2017/459 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems.

Particulars of the legislative process:

The Ordinance is issued pursuant to section 7 para. 1 *Energie-Control-Gesetz* (E-Control Act) by the Executive Board of E-Control. Pursuant to section 41 para. 1 *Gaswirtschaftsgesetz* (Natural Gas Act) 2011, a public consultation is to be held on the intended rules; in addition, pursuant to section 19 E-Control Act, the Ordinance must be presented to the Regulatory Advisory Council.

Explanatory notes

General comments

The *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012 prepared the legal ground for the successful introduction of a new gas market model in the eastern market area on 1 January 2013 and in the Tyrol and Vorarlberg market areas on 1 October 2013.

The present amendment eliminates provisions that have become obsolete because they are contained in Commission Regulation (EU) 2017/459, the amended Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM Network Code). New rules on capacity conversion, based on the CAM Network Code, are added. The Ordinance is also expanded by system access rules for storage undertakings and producers of biogenic gas. Further changes include adjustments relating to the calculation of system losses and own consumption of the special balance groups, and to data of load-metered consumers that must be provided by distribution system operators. Lastly, amendments are introduced on shorter lead times for re-nominations and schedule changes and the applicable data format and communication channel.

Commentary on sections

Section 2

Para. 1 item 6:

The amendment clarifies that freely allocable capacity guarantees firm, i.e. non-interruptible, access to the virtual trading point.

Para. 1 items 4, 9, 10, 15, 17 and 18 (old numbering):

These definitions are deleted, either because the terms are no longer used in the Ordinance or because they are contained in the CAM Network Code.

Para. 1 item 18 (new numbering):

The reference to the CAM Network Code is adjusted to account for the amended CAM Network Code, which has a new reference number (Commission Regulation (EU) 2017/459).

Para. 2:

A reference to the CAM Network Code is inserted, adding that definitions contained therein apply for the Ordinance as well.

Section 2 para. 3:

A gender-neutrality comment is inserted.

Sections 5 (old numbering), 8, 9 and 10

The provisions relating to combined entry/exit points, contract durations, online platforms for offering capacity and the secondary market for entry and exit capacity are deleted to account for the fact that they are included in the CAM Network Code, i.e. it is not necessary to replicate them in the Ordinance. Any references to these deleted provisions in the Ordinance are adjusted or deleted, as appropriate.

Section 5 (new numbering)

Since the CAM Network Code introduced obligatory bundling of capacity at cross-border interconnection points on 1 November 2015, it has often been impossible for system users that already had contracted mismatched unbundled firm entry or exit capacity at one side of a bookable entry/exit point to book the corresponding unbundled capacity on the other side of that point. Based on Article 21(3) of the CAM Network Code, a new provision introduces a capacity conversion service that compensates such system users for the economic disadvantage that arises from having to buy double capacity on one side of the bookable entry/exit point due to the bundling regime. System users must have the option to convert their unbundled capacity into bundled capacity, subject to certain rules.

Transmission system operators are obliged to offer system users a capacity conversion service for any mismatched unbundled firm entry or exit capacity that was booked up to and on 6 March 2017. The capacity conversion service is not available for mismatched unbundled firm entry or exit capacity that was booked after 6 March 2017 (s. section 46 para. 6).

Eligibility for the service hinges on the system user having successfully participated in an annual, quarterly or monthly auction for bundled freely allocable entry or exit capacity. Conversion is only possible for as much bundled freely allocable entry or exit capacity as had to be purchased twice. Also, it is only possible for the duration for which it had to be bought twice.

Conversion means that the system user does not have to pay the charge (but does have to pay any auction premia) for the mismatched unbundled firm entry or exit capacity (i.e. for the amount and duration of that capacity)if it also had to purchase bundled freely allocable entry or exit capacity. Thus, the system user does not have to pay twice but is only charged the payable price (reserve price and auction premium) from the annual, quarterly or monthly auction.

The conversion is executed once the system user has successfully participated in an annual, quarterly or monthly auction for bundled freely allocable entry or exit capacity. To trigger it, the system user must notify the transmission system operator thereof within five working days of the annual, quarterly or monthly auction, using a form to be published by the transmission system operators online. Before putting the form online, the transmission system operators must clear it with the regulatory authority. The capacity that is freed up by capacity conversion is offered in the following auctions by the transmission system operators.

Section 16

The amendment clarifies that capacity reductions entitle storage system operators to market capacity of more than ten percent with the same financial effect in the market area (not just in the grid zone).

Also, a change is introduced to clarify that increasing existing capacity bookings by storage system operators through contracts of up to two years does not raise the basis for calculating the capacity reduction allowed each year. This means more flexibility for storage system operators and their capacity management by ensuring that mid-term capacity increases do not influence possibilities for capacity reductions. It also means that system operators do not have to permanently reserve the capacity for these mid-term increases.

Section 17

As for storage system operators, the Ordinance clarifies also for producers of biogas that capacity reductions entitle them to market capacity of more than ten percent with the same financial effect in the market area (not just in the grid zone).

Also, the same change as above is introduced to clarify that increasing existing capacity bookings through contracts of up to two years does not raise the basis for calculating the capacity reduction allowed each year. This means more flexibility in capacity management by ensuring that mid-term capacity increases do not influence possibilities for capacity reductions. It also means that system operators do not have to permanently reserve the capacity for these mid-term increases.

For biogas producers, the Ordinance introduces a threshold below which the rules for capacity reductions do not apply. This threshold is 10,000 kWh/h in capacity contracted with the distribution system operator, enabling small facilities (in particular biogas plant) to terminate their system connection more quickly.

Section 18 para. 8 second sentence

This sentence on the lead time for nominations in the market area is deleted because a new provision on this issue is introduced in section 34.

Section 19 para. 11 (old numbering)

This paragraph refers to the conclusion or renewal of contracts by balance responsible parties. It is no longer relevant and can be deleted.

Section 24 para. 4 item 2

The regulatory authority assumes that system operators have installed the necessary equipment to precisely meter system losses and own consumption. Should this not be economically feasible in isolated cases, the system operator must argue this towards the regulator and must explain the calculation methodology it uses instead of metering. The values resulting from the calculation methodology explained in item 2 therefore best represent reality.

Section 25 para. 8 item 3

It is no longer necessary for suppliers or the distribution area manager to receive daily meter readings for load-metered consumers as they now receive data at a higher granularity (hourly) under item 6. As in chapter 2 items 70 and 71 of the gas market code, the relevant balance responsible party is added.

Section 25 para. 8 item 6

Distribution system operators must now provide readings for load-metered consumers on an hourly basis. Given that hourly readings must be provided each hour for the hour that has just ended, the Ordinance explicitly states that these are preliminary values, not final allocations. Should there be technical disruptions which mean that the distribution system operator does not have all the meter readings, an adequate dummy value must be calculated.

Hourly meter readings from load-metered consumers per metering point are meant to enable suppliers and their balance responsible parties to quickly react to changes in their customers' consumption behaviour and balance their positions, and to provide additional useful information that the distribution area manager might need for system operation.

Section 34 paras 1 and 2

The Ordinance now references the rules on data formats and communication channels for exchanging information between the market players in the gas market code. Please note that according to Commission Regulation (EU) 2015/703 (Network Code on Interoperability and Data Exchange Rules), which has been reflected in the gas market code, from 1 February 2018 the applicable format is Edig@s-XML and the communication protocol is AS4.

Section 34 para. 3

The lead time for renominations and schedule changes at distribution level for transports to consumers, by storage system operators, by producers and at the virtual trading point is shortened to one hour on the next full hour. Suppliers and balance responsible parties can now react more efficiently to changes in consumption and gas flows and can keep their positions balanced more easily.

Please note that this shorter lead time does not apply to the transmission level, where a two-hour lead time on the next full hour continues to be valid. Shortening this lead time would not be feasible due to the matching process with the adjacent transmission system operators that must take place.

While improving possibilities to react at distribution level and at the virtual trading point, the shorter lead time also bears an imbalance risk related to distribution-level storage facilities in combination with transmission-level transports. Balance responsible parties and direct balance group members must be aware of the risk for market area balancing resulting from the different lead times and must take this into account when scheduling.

The shorter lead time does not apply to the Tyrol and Vorarlberg market areas; they are subject to different rules due to their connection to the upstream NetConnect Germany market area (COSIMA model).

Section 46

The obligation for transmission system operators to offer a capacity conversion service applies only to mismatched unbundled firm entry or exit capacity that was booked up to and on 6 March 2017.