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# PEGAS consultation response to Concept Paper on Austrian Balancing Regime

To Energie-Control Austria  
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Paris

## **Consultation: Concept on the further development of the Austrian gas market**

PEGAS appreciates the review of the Austrian balancing regime and the opportunity to comment on the respective consultation. The Pan-European gas platform PEGAS enables market participants to trade natural gas products on 12 hubs in 9 countries. The Austrian gas market is one of the most important and best functioning markets for natural gas in Europe.

We understand that the Austrian balancing regime, as it is currently in place, is in some aspects called into question. The 2017 ACER report<sup>1</sup> on the implementation of the Balancing Network Code (NC BAL) indicated that the current system is not entirely in line with European Regulation<sup>2</sup>. This is due to a set-up where imbalances on the transmission level are settled ex-ante via the gas exchange<sup>3</sup> and hence require a membership of market participants at the gas exchange. The review of the Austrian balancing regime suggests the cancellation of the obligation to conduct balancing at the gas exchange by the Market Area Manager in the name and on behalf of the imbalanced shipper and aims to establish a central balancing point for the Austrian gas market.

- PEGAS supports the principles of an open and competitive market and supports a further harmonization in line with European Network Codes.
- At the same time, as the Austrian balancing regime in place functions flawless and responds to the general principles of the Network Codes, we would like to remind that any interventions in the regulatory set-up can create uncertainties and provoke market distortions. For this reason, we recommend to carefully balance out potential implications of the proposed changes to the market functioning and to carefully consider its way of implementation.

## **PEGAS welcomes further harmonization of the EU Network Codes**

The aim of the NC BAL, is amongst others, to facilitate the development of a well-functioning and liquid, short-term gas market, where the majority of balancing energy can be sourced by a market-based mechanism. Key enablers for network users to balance their gas portfolios efficiently are the access to transparent information, access to gas flexibility (including access to physical gas and trading platforms) and to system flexibility.

The Austrian market area East counts around 104 gas exchange members today and thus has a very high density of active trading participants. Due to its geographical location the Central European Gas Hub is one of the most important hubs for the European gas supply, serving as a gate in between the Central Eastern European Region and Central Northern

<sup>1</sup> ACER (2017): ACER Report on the implementation of the Balancing Network Code (Second edition).

<sup>2</sup> COMMISSION REGULATION (EU) No 312/2014.

<sup>3</sup> Or respectively via OTC.

Europe. A further alignment with the Network Codes will contribute to a further harmonization of the European internal market and will facilitate market participants the ability to adapt to different systems and their specifications when shipping gas across Europe.

### **Comments on the suggested changes to the Austrian Balancing regime**

The Concept Paper suggests to reduce operational complexity of two parallel systems by introducing one central entity which then would be responsible for the balancing activity.<sup>4</sup> Currently, on transmission level imbalances are handled ex-ante via the Market Area Manager (MAM) in cooperation with the gas exchange. However, on distribution level balancing is conducted ex-post via the responsible Balancing Group Coordinator. The obligation in the market area East to participate in the gas exchange will thereby be cancelled in the new system, but remains an option.

The acquisition of balancing energy is an important factor to provide liquidity on the Austrian Virtual Trading Point (VTP) from which all market participants benefit. Its reliability and its functionalities (such as the balancing regime with connection to the exchange) make the Austrian VTP the most liquid trading point in the CEE region. In addition, neighboring market areas such as Slovakia, Slovenia and Croatia benefit from reliable price references. Various examples and exceptional situations including several cold waves have shown that the Austrian gas market system is one of the most robust in Europe. Hence in our view, the Austrian gas market provides a well-functioning balancing regime and the deviations from the European Regulation are only limited. Nevertheless, PEGAS supports and is open to a further alignment of the existing system with the European Balancing Network Code.

On this note, PEGAS offers its full support for the further development of the Balancing System and offers to provide solutions to help former passive members to onboard as active members on the gas exchange. We would also be happy to contribute to alternative solutions to support the Austrian Balancing regime to become as effective as possible. PEGAS already has various experiences in designing such services for gas markets.

We would like to recall that any amendments and changes of the existing system could cause uncertainties in the market and should therefore be carefully regarded. In our view, the proposed changes would require some operative modifications and reassignment of competencies such as the appointment of a new balancing group coordinator. According to

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<sup>4</sup> Ex-ante balancing compares nominations or declared schedules for entries and exits in the market area. This is done by the MAM before (hence: ex-ante) the actual gas flows. In contrast, ex-post balancing compares nominations/schedules and consumption values for end consumers, biogas-entries and cross-border interconnection points in the distribution area. This is done by the BGC after (hence: ex-post) the actual gas flows.

§170a GWG 2011 a new tender to appoint a balancing group coordinator would only be feasible from 2021 onwards.

We therefore advise to weigh out cost and benefits of the proposed measures and ask for a constant and transparent dialogue with the market for the following steps to be undertaken. A gradual stepwise modification process could help to avoid distortive effects on the market functioning. PEGAS would be willing to support the Austrian market to find the best possible solutions to review its Balancing regime.

**PEGAS** is the central gas trading platform of EEX Group operated by Powernext. PEGAS provides its members with access to all products on one single platform and allows them to trade natural gas contracts in the Austrian, Belgian, Czech, Danish, Dutch, French, German, Italian and UK market areas. The product range of PEGAS covers spot and derivatives contracts for the major European gas hubs as well as trading in location, time spread, and options products on the TTF hub. This setup enables market harmonization and forms the preferred pan-European natural gas market. For more information: [www.powernext.com/pegas-trading](http://www.powernext.com/pegas-trading)

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