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E-Control
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CC: Dennis Hesseling, ACER

Energie-Control Austria									
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12 October 2018

Subject: EFET¹ letter to E-Control regarding changes to the natural gas balancing regime and NC TAR implementation

Dear Mr. Eigenbauer

We are writing you outside the scope of formal consultations with the intention to address two very complex issues:

- The reform of the Austrian gas balancing regime to implement the EU BAL Network Code;
- The implementation of the EU TAR Network Code and the forthcoming consultation.

Both are critical market design aspects and the European Federation of Energy Traders (EFET) would hope to see the best outcome possible stemming out of the two processes.

On Balancing

Considering the first workshop on balancing, which was held in Vienna on the 13th of September, EFET would like to make some specific comments on the proposals which we felt were discouraged by the workshop format. We also make suggestions on how future workshops could be improved to help better arrive at industry solutions that properly balance the needs of all market participants.

A major agenda point for this specific workshop was Within-Day-Obligations. While we accept that in some systems WDOs may be one means of managing low levels of flexibility, they also adversely affect market liquidity and can raise barriers to entry. It is therefore important that they are introduced only where necessary. After all the **Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (EU BAL) in art. 26.2, 26.4 and 26.5 does prescribe a rigid set of conditions to justify and introduce WDOs.**

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

Unfortunately, we felt that the case for their introduction was not adequately made: ***it was not explained with reference to the technical specifications of the infrastructure, nor supported by quantitative analysis that was presented, nor legally corroborated.*** It appeared that E-Control made the decision to include WDOs without a proper assessment of their necessity set against possible adverse consequences in the traded market. Furthermore, we feel that its decision was made preemptively and was not the outcome of a stakeholder process. Moreover, throughout the first workshop it became apparent that there existed a mismatch of expectations between participants and E-Control.

As EFET we participate actively in shaping gas market design by offering best practice experience and up to date regulatory and commercial views. ***Unfortunately, we do not see that our most serious concerns were addressed at the session on 13th September*** due to the overall setting, which was in our view not a workshop, but more of an information meeting. In order to enable EFET members to justify their ongoing participation in future workshops, it is important that constructive feedback and suggestions are welcomed and are seen to be properly considered.

On Transportation Tariffs

EFET is following closely the implementation of the Commission Regulation (EU) 2017/460 of 16 March 2017, establishing a network code on harmonized tariff structures for gas (TAR NC) into the respective national laws. Several EU member states already offered a transparent TAR NC implementation process conducted by NRAs and/or TSOs consulting with market participants on a regular basis. EFET members, like all other stakeholders, were given the opportunity to share with NRAs and/or TSOs their opinion on the proposed implementation.

Up to now, E-Control has not made use of its opportunity to approach the market in respect of the upcoming changes of the TAR NC implementation in Austria. ***We regard this as a worrying sign as we believe that there is room for improvement to how transportation tariffs are currently set.***

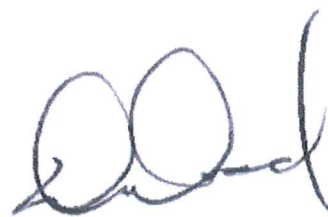
The implementation of TAR NC and the setting of tariffs are based on several principles as laid down in the EU Regulation 715/2009 (Article 13). These include cost reflectivity, providing incentives for investment, facilitating efficient trade and competition, transparency, interoperability, non-distortion of cross border trading, benchmarking and promotion of gas market liquidity. Moreover, according to Article 7 of TAR NC, network users should be enabled to reproduce the calculation of reference prices. Also, the actual costs incurred for the provision of transmission services should be considered in the reference price methodology.

It is of great interest for EFET to get an insight on methodologies and parameters used to determine gas TSO revenues. Especially, ***we seek for transparency on the management of regulatory accounts by the respective TSOs and on the rationale for setting premia to their benefit.*** Also, we expect a high level of transparency in terms of the obligations set by TAR NC to ensure non-discrimination and to prevent undue cross-subsidisation.

Representing network users' interest, EFET would like to see the principles of the EU regulation and TAR NC addressed in the upcoming consultation by E-Control. By considering in more detail the issues of cost-reflectivity and transparency, we believe that tariffs of Austrian TSOs will become more competitive and this will foster the liquidity of the Austrian gas hub CEGH with benefit for all market participants. Therefore, ***we urge the process to be triggered as soon as possible and to be held in an as open as possible way.***

On both matters addressed in this letter we remain at your disposal for any clarifications and we look forward to continuing our dialogue in a mutually constructive manner.

Kind Regards,

A handwritten signature in dark ink, consisting of a stylized 'D' followed by a series of loops and a final vertical stroke.

Doug Wood,
Chairman of the EFET Gas Committee