

Mr. Dennis Hesseling
Agency for the Cooperation of Energy Regulators (ACER)
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Slovenia

Via E-Mail: Dennis.HESSELING@acer.europa.eu

16 September 2016

OBJECT: Austrian gas market

Dear Mr. Hesseling,

EFET recognises and appreciates ACER's work to encourage best practice among NRAs and TSOs in helping to improve trading conditions in Europe, and the open dialogue we enjoy in being able to identify where improvements would be valuable.

In the past we have already shared with you our concerns about a number of features in the Austrian gas market. With this letter we regret to note that despite several attempts to raise this with E-control, we have seen no positive developments with respect to two fundamental aspects of the regulatory framework:

- a) the transmission tariff methodology;
- b) the balancing system.

In the context of CEGH being the most advanced hub in the region, and with its ambitions to become a cross-border hub, then this has a far reaching impact on cross-border trade, where we think ACER will have a strong interest.

With respect to transmission tariffs, we lament the presence of elements of cross-subsidization among network users and between pipeline systems, unjustified increases in the tariff level, very poor degree of transparency and therefore predictability of the tariff level, all this having an impact on cross-border trading. This occurs in the context of a regulatory period deemed to end on December 31st 2016 and while knowing that the E-Control has already communicated in various instances that no public consultation on the matter will take place before October 2016 and is unlikely before November 2016: network users will thus have scarce (if not no) opportunity to contribute to the necessary improvement of the existing Austrian transmission tariff methodology. The effect of this is that forward trading at CEGH and in neighbouring markets beyond 31 December 2016 carries higher levels of risk, that it is more expensive to close or to hedge positions or to quote accurate prices for delivery into local or neighbouring markets, and that these increased costs will inevitably find their way to end-consumers.

It is worth noting in this regard that during the process leading to the formulation of the EU TAR Network Code EFET has strongly argued for improvements in the transparency provisions. In the dialogue with ACER, the European Commission and ENTSOG we have consistently maintained that we consider such provisions the most important positive contribution possibly introduced by the code.

With respect to the implementation of a balancing system, we lament the existence of balancing fees that are not foreseen in the EU BAL code and have the potential to hamper cross-border trade and *de facto* to fragment the balancing market with an inevitable impact on liquidity. Also in this regard we note that these issues have been discussed with the National Regulatory Authorities as well as with the System Operators for a long time but such conversations have so far delivered hardly any change. We are aware that ACER has been reassessing balancing regimes in EU member states and EFET has assisted with your understanding of the Austrian system. We trust that when the ACER report is published, then the Austrian system is clearly seen as a barrier to improved liquidity at the hub and is not erroneously portrayed as a regime that is well-regarded by the trading community.

While bringing this situation to your attention we would like to make ourselves available to provide any detailed relevant information and views should you so require. We would also be happy to meet to discuss a way forward when and if you were interested.

Please note that, while we keep on trying to engage with E-Control, we have resorted to write this letter after several unsuccessful attempts to make progress. The importance of this hub to the region means that slow progress here will retard the development of liquidity more generally. Should you have any other suggestions, we would be happy to consider alternative and/or possibly more appropriate venues and ways to address the above.

Sincerely,



Davide Rubini
Vice-Chairman

EFET Task Force Central
and South Eastern Europe Gas
(TF CSEE-G)



Doug Wood
Chairman

EFET Gas Committee