



ANNUAL REPORT 2014

E-CONTROL

WIND OF CHANGE

IN THE ENERGY MARKET



WORKING FOR YOU – WHEREVER YOU NEED ENERGY

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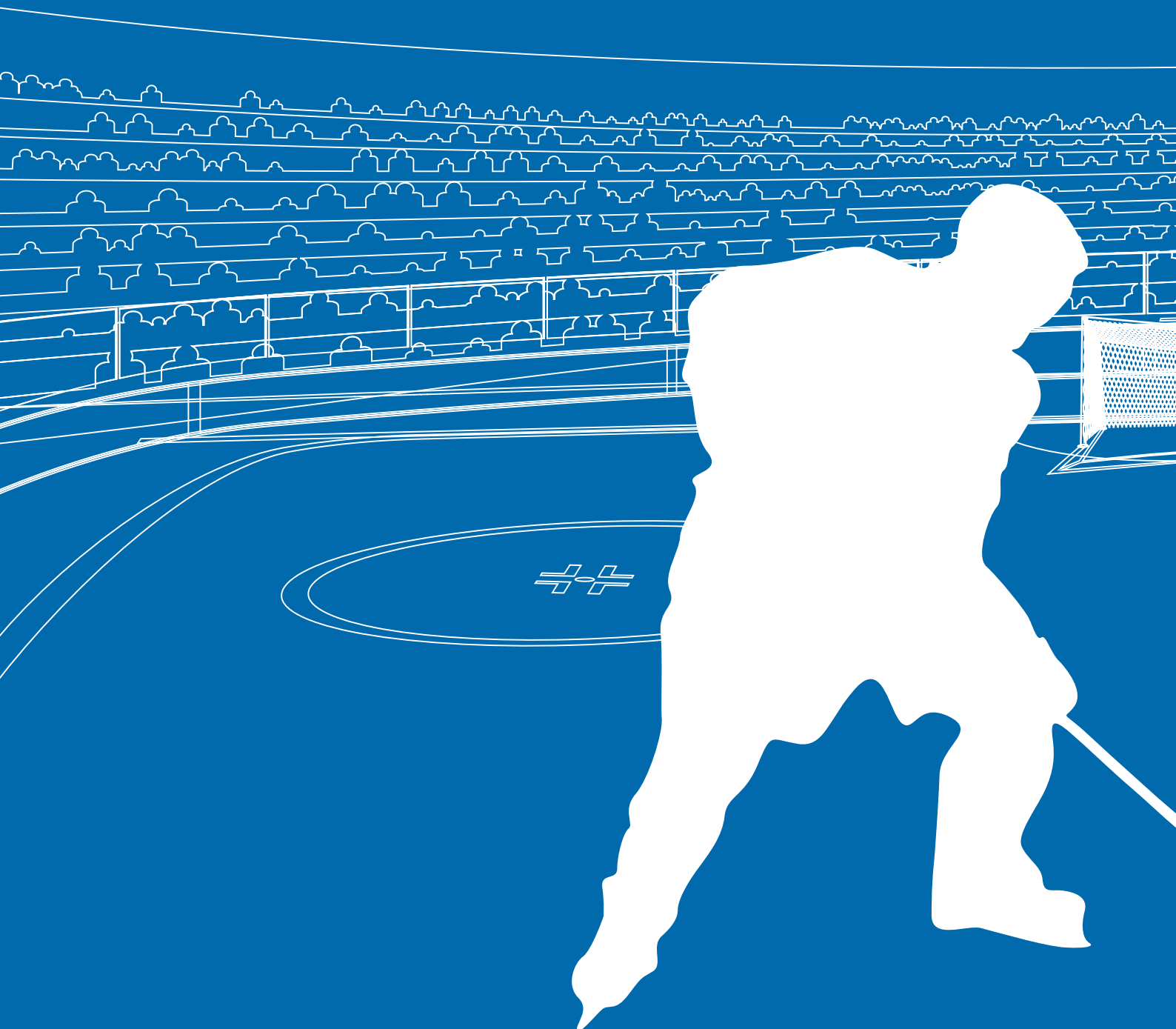
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MORE COMPETITION

CREATES MORE BENEFITS FOR CONSUMERS



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COMPETITION IN 2014:

FROM EISENSTADT TO DORNBIRN – ALL CHANGE ON THE ENERGY MARKET

In 2014 the main issues in the domestic energy sector were the effects of the Ukraine crisis on domestic gas supplies, growing competition on the domestic electricity and gas markets, and the positive and negative impacts of Germany's energy transition. Both

the European and the Austrian markets still face a variety of challenges. In some areas the need for change has seldom been more urgent, and the focus should be on taking advantage of these opportunities to achieve positive outcomes.

Prepared for every eventuality

As in 2006 and 2009, worries about the security of Austria's gas supplies surfaced once again in 2014, triggered by the political crisis between Russia and Ukraine. Austria proved to be well prepared for any potential interruption to supplies of gas from Russia. Lessons had clearly been learned from the crises in 2006 and 2009: emergency supply mechanisms at both the European and the Austrian level had been refined, the gas sector had expanded storage capacity, and system infrastructure had been extended and adapted so that gas transportation is now no longer restricted to one direction and the direction of flow can be reversed if necessary.

INCREASED EUROPEAN COOPERATION BRINGS GREATER INDEPENDENCE

The right conclusions now need to be drawn from the recent flare-up so that appropriate measures can be systematically introduced and implemented. Measures are primarily required at the European level. The priorities are to improve the links between gas networks in EU member states, improve regional utilisation of storage facilities, and achieve

greater diversification in sources of supply. The goal is clear: Europe has to reduce its dependency on Russia.

RECORD YEAR FOR SUPPLIER SWITCHES

There was a satisfactory increase in the number of energy customers switching supplier in 2014. In Austria, more gas and electricity supplier transfers took place than in any other year since market liberalisation. A major driver was the *Energiekosten-Stop* campaign launched by the *Verein für Konsumenteninformation* (Austrian Consumers Association, VKI) during the first half of 2014. Another factor was that very high savings were available throughout the year to consumers who switched. Potential savings reached a new peak in December. The high switching rates are a strong indication that competition in the market is gradually increasing.

ENERGY TRANSITION IN GERMANY: A CHALLENGE

Germany's energy transition and its impact on Austria remained a major concern for

energy market participants. Rapid expansion of renewable energy coupled with painfully slow network development presents a major challenge for the entire energy system and the common electricity market between Austria and Germany. Ensuring the stability of the European electricity network in this environment is becoming more challenging, due to the growing share of solar and wind power – which are subject to strong supply fluctuations – in energy generation. However, thanks to the country's high-capacity pumped storage hydropower plants, Austria continues to enjoy high security of electricity supply. For this reason, there is currently no need to use capacity mechanisms to create a new support regime for unprofitable conventional power stations – all the more so since the biggest problems in the electricity grid in the past year resulted from excess generation from renewable sources rather than insufficient power generation.

AUSTRIAN HOUSEHOLDS – MOVING AWAY FROM NUCLEAR ENERGY

Power labelling was the subject of renewed attention in 2014. As shown in E-Control's power labelling report, presented in September, 2013 was the first year in which Austria's households effectively did not consume any nuclear power. Due to the introduction of mandatory full power labelling by the lower house of the Austrian Parliament in July 2013, it was not permitted to deliver electricity of unknown origin to household consumers in 2013; only deliveries of such electricity to industrial consumers were

allowed. From the end of 2015, this will no longer be possible either, and full power labelling will apply for all electricity customers – from small household consumers to large industrial operations. E-Control will continue to thoroughly audit power labelling.

HIGHER RENEWABLE ENERGY SUPPORT COSTS

The proportion of total electricity supply accounted for by supported renewable power rose again year on year in 2013, with the result that green energy support costs also increased that year. The European Commission has stipulated that renewable energy support systems need to be made more transparent, efficient and market-oriented in the future. These requirements need to be taken into account in Austria, in order to avoid imposing further heavy burdens on consumers due to the subsidies. Nevertheless, another increase in renewable energy support costs is expected in 2015.

THE FUTURE IS HERE: TOMORROW'S ENERGY NETWORK

The European and Austrian electricity and gas markets are going through a period of radical upheaval. This is mainly due to the accelerated expansion of renewable energy generation, coupled with stagnant consumption owing to the economic climate. As a result, wholesale electricity trading is becoming more and more short-term. The European energy market is far more integrated, diversified and transparent than it was just a few years ago.

The traditional energy supply system, based on large, centralised and often state-owned corporations responsible for production, transmission and delivery, is on the brink of a turning point. Competition on margins, which was present before liberalisation, needs to give way to solutions-driven competition in future. The distinctions between the roles of producers and consumers have become blurred. More and more customers are not only consumers of electricity but have also become producers, generating electricity themselves, consuming it and injecting it into the system. As a result, the traditional basic business models of corporations and regional suppliers are increasingly being called into question. Over time, pure energy supply activities will fade into the background. The energy system of the future will be more diverse, less centralised and more flexible. Energy companies must adapt to this change and address these topics head-on. The main impact for energy customers in 2014 was a substantial fall in prices on the wholesale electricity markets, which would have been inconceivable without European market integration – although so far the main

beneficiaries have been large and medium-sized electricity consumers.

E-CONTROL: COMMITTED TO THE EUROPEAN MARKET

The new European Commission took office in November 2014, with the energy department led by a new commissioner and vice-president. The completion of the internal energy market and creation of a European Energy Union will continue to be high priorities. Clearly, a functioning internal energy market is one of the key requirements for secure, affordable and sustainable electricity and gas supplies. For this reason E-Control will continue working intensively on this and other important energy topics on the respective EU committees. For the gas sector, most of the important harmonised EU-wide rules (network codes) are already complete, while for electricity, progress is halting due to greater complexity and structural issues. The formation of the European internal market is certainly moving forward, albeit slowly, and this is bringing ever-increasing benefits for Austrian consumers.

Falling electricity consumption

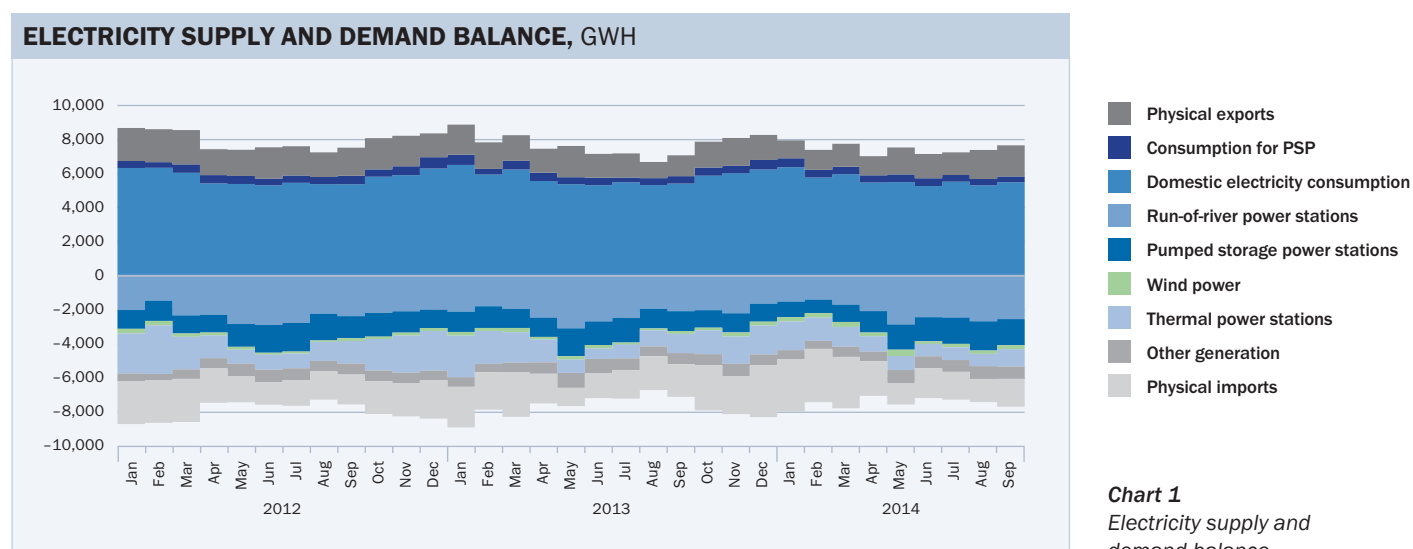
Over the first nine months of 2014, domestic electricity consumption declined by 0.5 TWh or 1.0%, to 50.8 TWh. This was

largely due to a drop of 0.7 TWh or 2.8% in the first four months. From May onwards there was no significant upward or downward

trend, as monthly increases and declines in consumption cancelled each other out. Overall, however, electricity consumption rose by 20.0 TWh or 0.6% from May. A major influence was the mild temperature during the winter months, while the cooler summer did not have as much of an impact on consumption. There was also a significant divergence between the growth of public and overall consumption. Demand from the public grid declined, but at 0.3 TWh the fall was only half as high as for domestic consumption as a whole. The chief reason behind this could be varying growth rates in individual sectors of the economy, in particular energy-intensive industries.

ROLLERCOASTER RIDE FOR ELECTRICITY SUPPLY

Principally as a result of the markedly lower water yield in the first half of 2014 in comparison with the previous year, power generated by run-of-river power stations fell by 0.9 TWh or 4.5%. Pumped storage power stations produced 0.2 TWh or 1.5% more over the year, although generation was also lower year on year in the first few months of 2014. Power generation by thermal power stations was again down significantly, with increases only recorded in May and June. All told, thermal power station output dropped by 2.6 TWh or 22.1%. Other generation, meaning electricity injected into the system by power



Source: E-Control

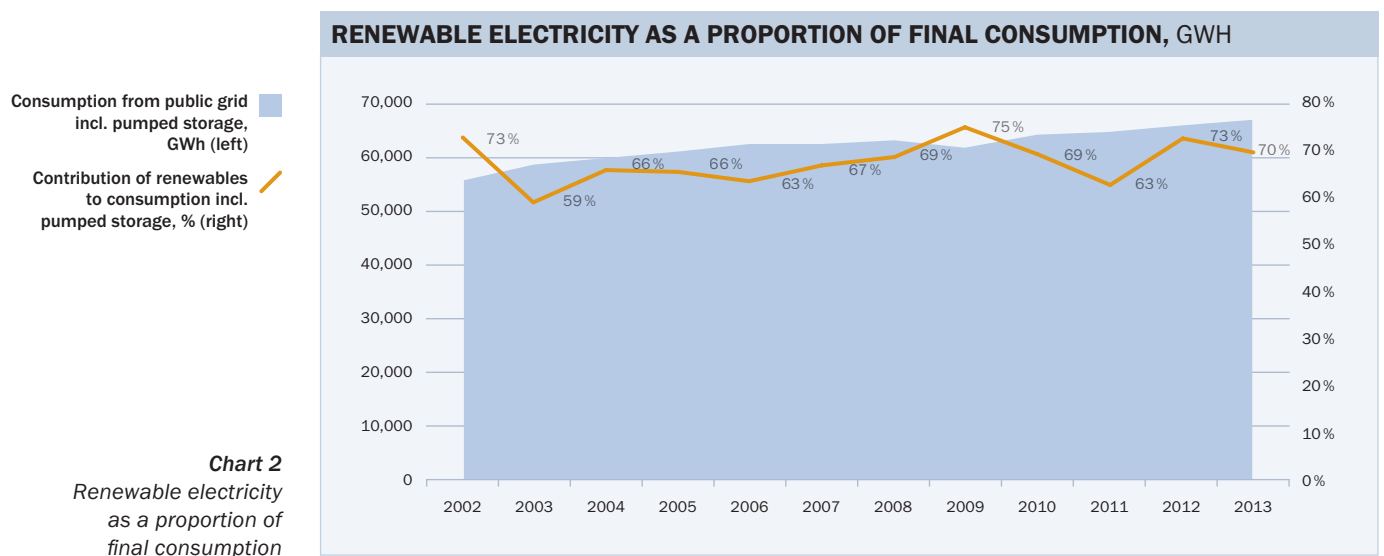
stations with a maximum capacity of less than 10 MW, dropped slightly. Wind power was the only category that grew, with injections up by 35.3% or 0.6 TWh. Physical energy imports

rose by 1.9 TWh or 10.9%, compared with a decline in exports by 0.5 TWh or 3.9%, which went against the prevailing trend over time.

Renewable electricity market: prevailing trend continues

Austria has recorded an increase in electricity consumption¹ and output as compared to 1990, when 43.5 TWh of electricity (including pumped storage, system losses and generating station own use) was withdrawn from the public grid, compared with output of 44.1 TWh, with renewables accounting for 70% of consumption.

Consumption had climbed by 54% from its 1990 level by 2013. That year, 67 TWh of electricity (including pumped storage, system losses and generating station own use) was withdrawn from the public grid, compared with output of 68 TWh. As in 1990, renewables contributed 70% of total consumption in 2013 (see chart 2).



Source: E-Control

¹ The electricity consumption data are based on statistics compiled by E-Control. Electricity consumption is calculated as follows: gross electricity output + physical imports - physical exports. This includes power from pumped storage.

RISING CONSUMPTION

As in 2012, the contribution made by supported green power rose again the following year. It accounted for 6,152 GWh or 11.0% of final consumption (55,748 GWh) in 2012, increasing to 7,141 GWh or 12.5% of the total in 2013.

The volumes supplied by the various renewable technologies rose year on year as follows between 2012 and 2013:

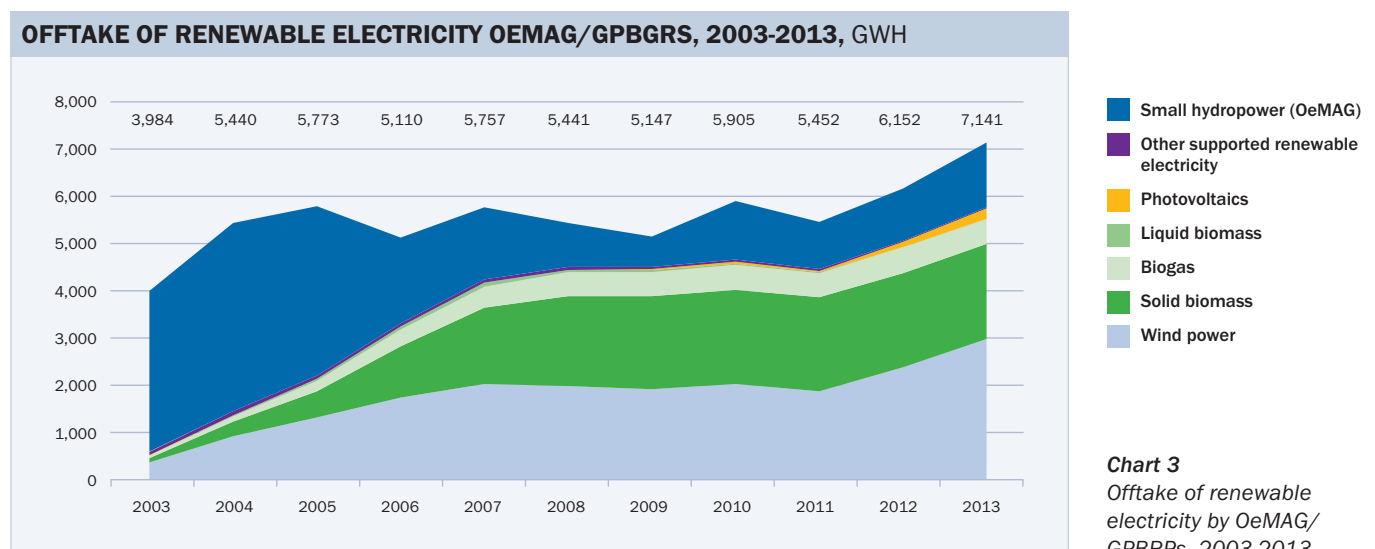
- > Small hydropower: +25%
- > Wind power: +24%
- > Solid biomass: +2%
- > Photovoltaic: +112%

These changes are illustrated in Chart 3.

GROWTH IN GREEN POWER

GENERATION SET TO CONTINUE

A comparison of the values for the first half of 2014 and the first half of the previous year indicates that the proportion of renewable electricity can be expected to rise over the year as a whole. The highest increases are again likely to be in wind power and small hydropower as well as photovoltaic (PV). If final consumption grows at a similar rate in the second half of 2014, the contribution of supported green electricity for the year is likely to exceed 14%.



Source: OeMAG and E-Control

RENEWABLE ELECTRICITY INJECTION VOLUMES AND COMPENSATION IN AUSTRIA
 Q2 2014 vs. Q2 2013

Energy source	Infeed (GWh)	Net compensation (EUR m)	Supported green power injection volumes as a percentage of total supply	Average compensation (cents/kWh)
Quarter 2 2014		1)		
Small hydropower (supported)	794	40.1	2.8%	5.05
Other renewable generating stations	3,176	366.7	11.2%	11.55
Wind power	1,779	146.3	6.3%	8.22
Solid biomass incl. HBF waste fired	944	127.2	3.3%	13.48
Biogas*	270	47.4	1.0%	17.56
Liquid biomass	0.1	0.01	0.0003%	11.56
Photovoltaics	172	45.3	0.61%	26.29
Landfill and sewage gas	10	0.5	0.04%	4.71
Geothermal energy	0.29	0.010	0.001%	3.52
Total small hydropower and other renewable generating stations	3,970	406.8	14.0%	10.25
Quarter 2 2013		2)		
Small hydropower (supported)	696	36.0	2.4%	5.17
Other renewable generating stations	2,944	342.3	10.3%	11.63
Wind power	1,556	128.3	5.5%	8.25
Solid biomass incl. HBF waste fired	1,007	137.6	3.5%	13.66
Biogas*	280	48.2	1.0%	17.21
Liquid biomass	0.1	0.02	0.0005%	12.39
Photovoltaics	88	27.4	0.31%	31.28
Landfill and sewage gas	13	0.7	0.05%	5.68
Geothermal energy	0.1	0.003	0.0003%	4.20
Total small hydropower and other renewable generating stations	3,640	378.2	12.8%	10.39

Chart 4
 Renewable electricity
 injection volumes and
 compensation,
 Q2 2014 vs. Q2 2013

* Incl. operation mark-up

1 Based on total supply from the public grid to consumers in quarter 2 2014 of 28,390 GWh (September 2014 figure)

2 Based on total supply from the public grid to consumers in quarter 2 2013 of 28,505 GWh (August 2014 figure)

Sources: E-Control and OeMAG, September 2014 (preliminary figures)

Power labelling: simple, comprehensible and clear

MANY ENERGY SOURCES, ONE OVERVIEW

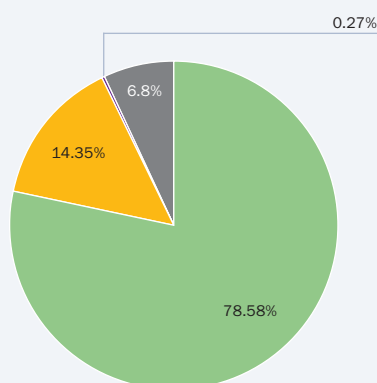
Power labelling in Austria is based on a system of guarantees of origin. Suppliers delivering electricity to consumers in Austria must evidence their mix of primary energy sources in accordance with the law. E-Control is responsible for supervising the issuance, transfer and cancellation of guarantees of origin in Austria.

The amount of electricity supplied from renewable sources rose from 74.5% in 2013

to 78.6% in 2014. Power generated by fossil fuels fell from 17.9% to 14.4% year on year, and electricity from other primary energy sources decreased slightly from 0.31% to 0.27%. The contribution of electricity of unknown origin also declined slightly, from 7.3% to 6.8%.

The majority of the guarantees of origin for power labelling – 73.10% (2013: 74.99%) – came from Austria. Imported guarantees of origin came from a wider range of countries than

POWER LABELLING IN AUSTRIA IN 2013, APPROXIMATE VALUES



- Renewable energy, known sources
- Fossil fuels, known sources
- Other primary energy, known sources
- Electricity of unknown origin (ENTSO-E generation mix)

Chart 5
Power labelling in Austria in 2013, approximate values

Source: E-Control

in the previous year, and the largest proportion of foreign guarantees were from Norway.

NO GREY AREAS: PUTTING THINGS DOWN IN BLACK AND WHITE

Section 79a *Elektrizitätswirtschafts- und -organisationsgesetz* (Electricity Act) 2010 stipulates that from 2015, no electricity of unknown origin may be supplied in Austria. A ban on supplying electricity of unknown origin to household consumers has been in place since the 2013 power labelling period. Power labelling audits showed that all companies have complied with this provision, meaning that all electricity supplied to household consumers is labelled.

A particularly noteworthy development is the sharp rise in the number of suppliers offering electricity from purely renewable sources. There were 81 such providers in 2013, compared with 56 in 2012 – meaning that within a single year, 25 suppliers either changed to delivering green electricity only or entered the market on this basis. Total supply by renewable energy suppliers (including provincial energy utilities that offer purely green electricity) amounted to 17,412 GWh, as opposed to 9,184 GWh in the previous year (2012). This significant jump is explained by the fact that a number of large suppliers shifted to an energy mix consisting entirely of green power products.

Gas market: falling consumption, rising storage levels

FEELING THE EFFECTS OF A WARMER WINTER

Domestic demand for gas declined by 6.5 TWh or 10.6% over the first nine months of 2014, to 54.3 TWh. Each of the first four months of the year saw very high year-on-year falls in consumption of between 1.1 TWh and 2.8 TWh (16.7%-27.5%), while with the exception of May, consumption was actually up in all of the spring and summer months – reaching unusually high levels in July and August, when it increased by 15.3% and 10.7% or 0.5 TWh and 0.4 TWh respectively. The major contributing factor was the temperature, which especially in the winter months was significantly above the long-term

average, and more importantly higher than in the previous year. This was particularly apparent in March 2014, when total heating degrees stood at 268.5 – close to half the figure for March 2013 (514.8), and well below the long-term average of 436.3. Although the summer months were mostly cooler than usual, temperatures play a less significant role in the summer, and their influence is negated by other factors.

Domestic production declined in every month of 2014, with the result that total natural gas production of 10.0 TWh was 1.4 TWh or 12.2% down on the previous year. Storage levels rose significantly as 9.3 TWh more gas

was injected into storage facilities and 24.8 TWh less was withdrawn. Physical exports slid by 30.6 TWh, while imports were roughly the same as in the previous period throughout the year. However, it should be noted that imports were 33.3 TWh higher in the first half,

and that in the third quarter – specifically in September – they dropped by 34.0 TWh year on year due to reductions in deliveries. As a result, more gas was withdrawn from storage facilities in the third quarter in order to meet domestic demand.

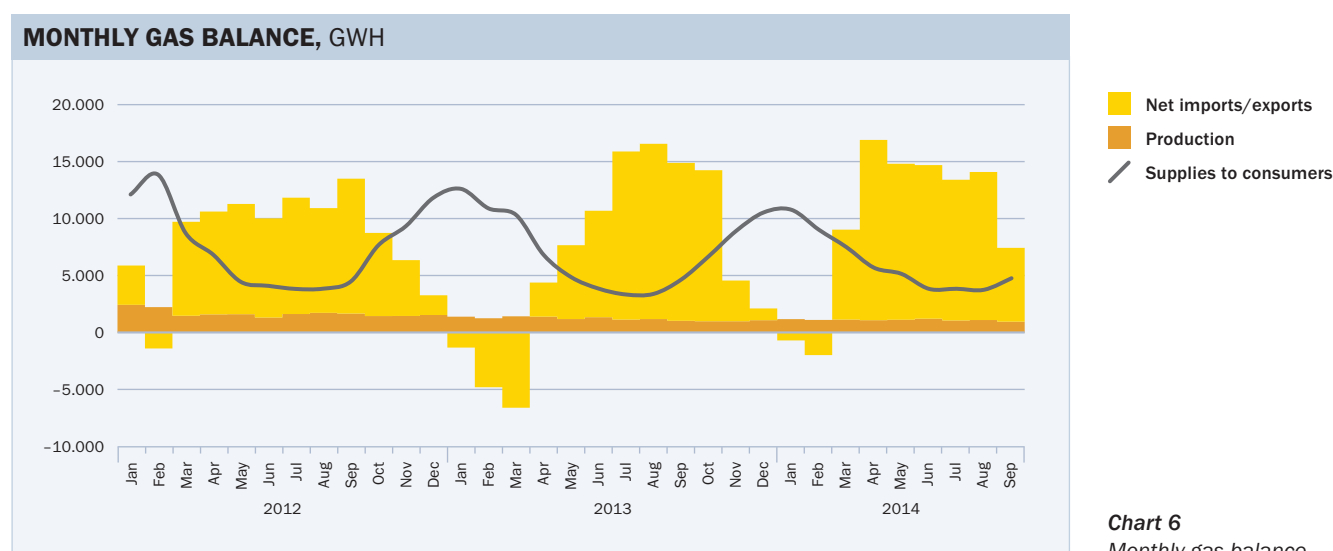


Chart 6
Monthly gas balance

Source: E-Control

Falling wholesale electricity prices

SUPPLY SIDE PRESSURE DRIVES DOWN PRICES

Lower volatility and very low prices were the stand-out features on the wholesale electricity market. Due to the economic situation in 2014, no notable impetus

came from the demand side. On the supply side, prices were strongly affected by the distortion of merit orders as a result of the now relatively high capacity of subsidised wind and PV installations.

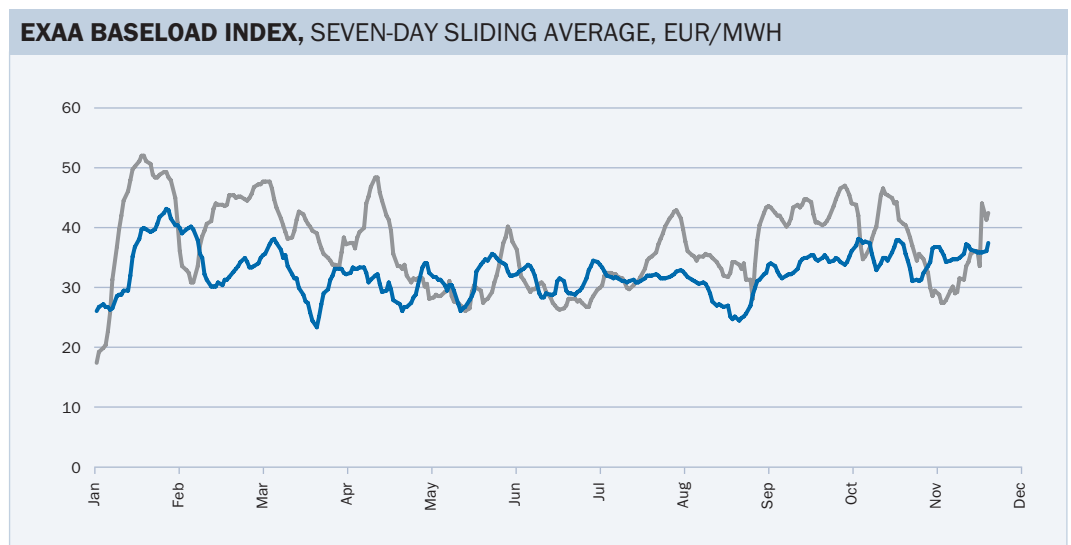
Installed wind and PV capacity in Austria and Germany in 2014 amounted to about 75 GW (roughly 37 GW each for wind and PV); in 2010, capacity was less than half that level, at just over 35 GW (25 GW wind, 10 GW PV)². This had an effect on electricity generated from conventional energy sources in Austria and Germany, principally gas-fired electricity generation. Its share of total generation in Germany dropped from 14% in 2011 to 10.7% in 2013³. Gross electricity generation from wind and PV rose from 11.2% to 13.1% over the same period. Generation from brown coal and hard coal, which unlike in Austria play a significant role in Germany, climbed by 2% as a result of low

coal prices. These changes in power station capacities and power generation, as well as low prices for all primary energy sources, resulted in a baseload prices of around EUR 35/MWh in 2014.

PEAK LOAD AND BASELOAD PRICES CONVERGING

The futures market in particular was subject to backwardation in 2014 (meaning that 2016 futures traded lower than contracts for delivery in 2015). This reflected wholesalers' expectations that on average over the year adequate capacity would be available across the Austria and Germany market area.

Chart 7
EXAA spot electricity prices, baseload index, seven-day sliding average



Source: EXAA, E-Control calculations

² Source: EEX Transparency Platform; 2010 excl. APG.

³ Source: German Federal Statistical Office.

PRICES OF EEX ANNUAL BASELOAD CONTRACTS, EUR/MWH



Chart 8
Price movements on the EEX electricity futures market, annual baseload contracts for delivery in 2015 and 2016

Source: EEX

EEX YEAR-AHEAD BASELOAD AND PEAK LOAD FUTURES PRICES, EUR/MWH



Chart 9
EEX year-ahead baseload and peak load futures prices

Source: EEX and E-Control calculations

The expectation that highly erratic injection from wind and PV generation could lead to price spikes for individual hours is naturally not reflected in annual baseload prices. The long-term trend in year-ahead futures prices

shows that peak and baseload contract prices are moving closer together, mainly due to rising injections from PV generation and the changes in generating capacity outlined above.

Downward trend in wholesale gas prices

LOW PRICES, HIGH TENSIONS

Developments on the gas wholesale market were shaped by two opposing influences. Strong supplies coupled with lower demand resulted in a decisive downturn in prices, but growing uncertainty due to the crisis in Ukraine pushed prices upwards, most notably in the third quarter. While prices on the day-ahead market remained relatively constant during 2013 at EUR 25-27/MWh, for extended periods in 2014 market assessments were based on an assumption of falling prices. At the beginning of March prices slid rapidly, reaching the EUR 15 mark in summer. The trend was halted principally by the tense negotiations between Ukraine and Russia, when there was a distinct possibility of supply restrictions during the winter. This led to a relatively rapid climb in prices from September, to around EUR 25/MWh, which in light of the predominantly mild temperatures in September and October resulted solely from wholesalers' assessment of risk.

During this period, the difference between prices in Austria and those at the German

GPL and NCG hubs was over EUR 2/MWh, reaching peaks of close to EUR 5/MWh. Chart 11 shows the changes in the price spread, with a positive value denoting that prices were higher in Austria than in Germany, which was the case for most of 2014. Day-ahead auctions of cross-border capacity at the Oberkappel exit/entry point are also shown, namely those for freely allocable firm bundled capacity (exit DE/entry AT) and unbundled firm capacity (exit DE only). No auctions of non-firm dynamically allocable capacity (interruptible, etc.) resulted in auction premiums in 2014. A detailed description of the auction procedures on PRISMA, the European cross-border gas capacity platform, can be found in E-Control's 2014 Market Report.

From March 2014, the difference between prices at the virtual trading point (VTP) in Austria and the German NCG hub was at times far greater than the regulated entry/exit tariff of just EUR 0.60/MWh. Also from this time, utilisation of capacity at Oberkappel corresponded to the maximum technical capacity for extended periods. All of the firm

bundled capacity offered on PRISMA was traded in full, including when there were auction premiums. This reflected the high demand for firm bundled transportation capacity. From September 2014, no more bundled day-ahead capacity was offered on PRISMA, and only exit capacity from Germany or entry capacity for Austria was marketed. The reason why day-ahead capacity could no longer be bundled for trading was that Gas Connect Austria (GCA) offered competing freely allocable capacity at Oberkappel and at Überackern, and due to technical restrictions on PRISMA it was not possible to offer such capacity as bundled capacity. The highest premiums on transport capacity were recorded during this time. As a result of the high demand for firm capacity and

high utilisation at the exit/entry point, price differences between the trading hubs could not be reduced to the level of the regulated tariff (which effectively corresponds to transportation costs) by way of arbitrage trades. Overall, the high price spreads in the third quarter reflected uncertainty among wholesalers during the gas negotiations between Russia and Ukraine. Austria's greater dependency and the low diversification in its gas supplies and transit routes in comparison with Germany resulted in a relatively high risk premium at that time. Following the conclusion of the "winter package" between Russia and Ukraine at the end of October, price spreads between Austria and Germany returned to normal levels in November.

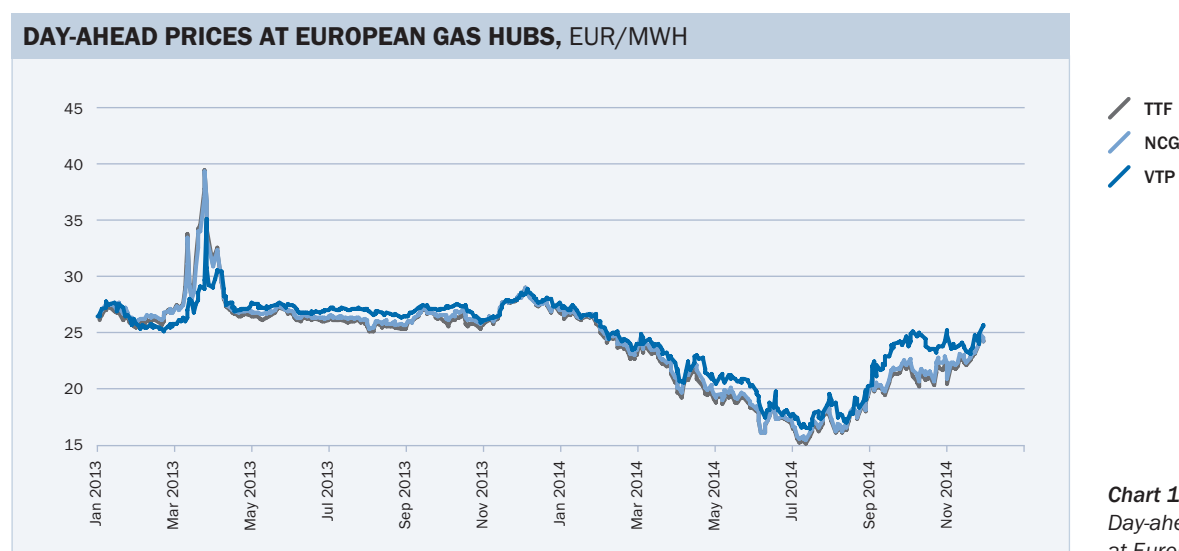


Chart 10
Day-ahead price trends
at European gas hubs

Source: ICIS Heren and CEGH Gas Exchange

PRICE DIFFERENCES BETWEEN GERMANY/AUSTRIA AND CROSS-BORDER AUCTIONS, EUR/MWH

Premium bundled capacity
Premium DE exit capacity
Price spread DE-AT

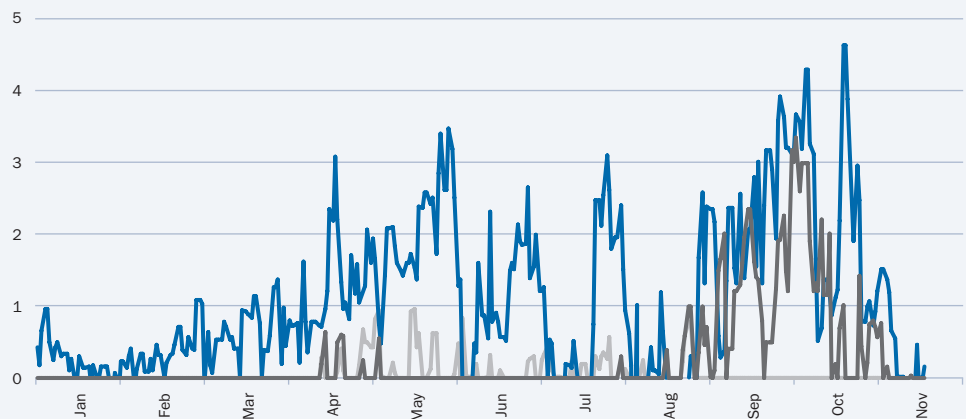


Chart 11

Price difference between Germany and Austria and premium on capacity in PRISMA auctions for cross-border capacity at the Oberkappel exit/entry point, over time

Source: PRISMA, Energate, Austrian VTP and E-Control calculations

GAS FUTURES PRICES, EUR/MWH

NCG
GPL



Chart 12

Wholesale gas prices, annual contracts for delivery in 2015

Source: EEX

Prices on the gas futures market were affected by spot prices and fell in comparison with the previous year. For most of 2014, contracts for delivery in 2015 traded at significantly less than EUR 25/MWh on the NCG. In 2013 prices only dropped below that threshold periodically. During the third quarter, the uncertainty over supplies from Russia also had an impact on futures prices, before solid fundamentals regained the upper hand. In contrast with the previous year, prices on the NCG were slightly higher than those on the other major German hub, Gaspool.

INVESTIGATION INTO MARKET CONDITIONS IN THE ELECTRICITY MARKET

In light of consumer electricity price trends between 2008 and 2012, and the changes in wholesale prices in the same period, E-Control initiated a market investigation pursuant to section 21(2) *Energie-Control-Gesetz* (E-Control Act) in conjunction with section 34 E-Control Act and section 10 Electricity Act 2010. At the end of November

2013, a representative sample of suppliers were requested to provide E-Control with the necessary data on the revenue and cost structures of their electricity retailing operations broken down by product and customer groups. The completion and return of questionnaires was initially requested as part of a market investigation at the end of August 2011. Following clarification of the legal situation by the constitutional court and administrative court of appeal, a new survey was carried out in 2013, and this lasted until 2014 owing to an application for extension of the deadline for submitting the information. As well as examining revenue and cost structures, the investigation was primarily geared towards analysing the assumptions underlying E-Control's margin calculations. The report was published in December 2014 and can be downloaded from the E-Control website at <http://www.e-control.at/portal/page/portal/medienbibliothek/publikationen/dokumente/pdfs/E-Control%20Electricity%20Supply%20Probe%202014.pdf>

Consumer electricity prices: no turnaround in sight

Electricity price regulation ended with the advent of market liberalisation in 2001. Since then prices have been determined by the market. System charges are set by the regulatory authority, while taxes and levies are fixed by the federal and provincial governments and local authorities.

NO LAUGHING MATTER: ELECTRICITY PRICES FOR HOUSEHOLD CONSUMERS

Chart 13 shows the changes in electricity prices for household consumers, as indicated by the electricity consumer price index (CPI). The index takes into account overall costs, which comprise energy prices, the system charges, and taxes and levies paid by final consumers.

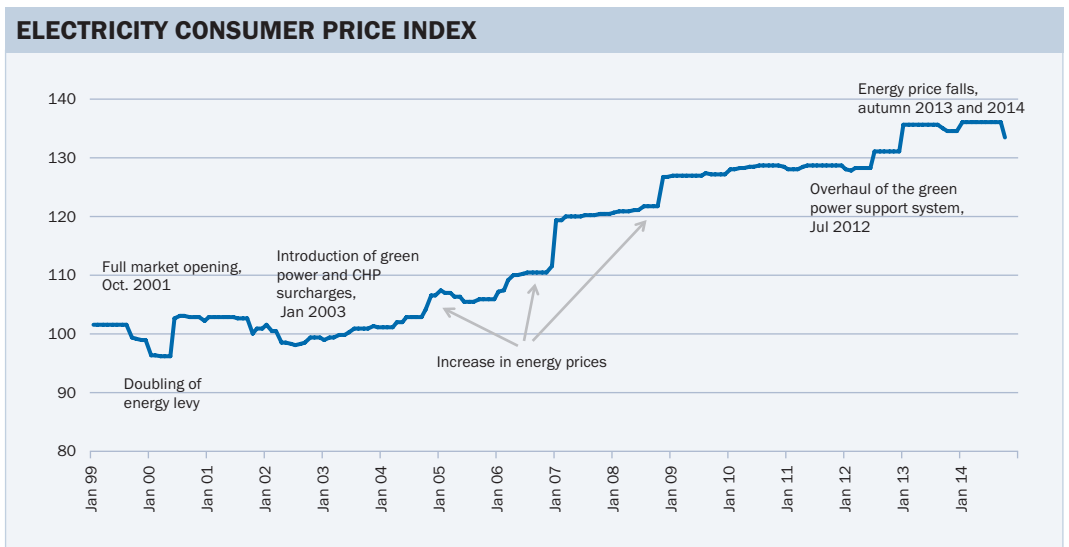


Chart 13
Change in the electricity CPI
October 2001=100

Source: Statistics Austria and E-Control

The opening of the market to competition in 2001 prompted a drop in overall prices in the immediate run-up to and in the early stages of market opening. The price spike in June 2000 is explained by the doubling of the energy levy. Prices increased steadily between early 2002 and the end of 2008 – a trend that was only interrupted by reductions in the system charges, which are usually set by E-Control at the beginning of the year. The introduction of the green power and combined heat and power (CHP) surcharges at the start of 2003 also pushed up overall prices. As a result of the economic crisis, prices have gone sideways since early 2009, with only minor fluctuations. Reductions in overall prices resulting from cuts in system charges have mostly been quickly cancelled out by a number of retailers raising their energy prices. In January 2013 the electricity CPI jumped by 5 points to

135.7, as system charges and green power support contributions were both increased. A decline in the energy price in autumn led to a short-term recovery in the index. This pattern played out almost identically in 2014, as the index climbed to 135.9 in January following rises in system charges and the green power support contribution, and then dipped to 133.3 points in the autumn due to falling energy prices.

In total, 19 suppliers reduced their prices in 2014. They included Salzburg AG (5.1% at the beginning of the year), and in October the large regional suppliers that make up the EnergieAllianz (8%-11%). Chart 14 presents the energy price changes in 2014 in detail. The adjustment of the system charges at the beginning of 2014 resulted in an increase in the charges in some network areas and

ELECTRICITY PRICE CHANGES IN 2014				
Supplier	Price change* on	Net energy price change, %	Gross annual saving, EUR**	Grid zone
Salzburg AG	01.01.14	-5,1%	15	Salzburg
Stadtwerke Bruck an der Mur	01.01.14	-5,4%	19	Styria
Salzburg Öko	01.01.14	-5,0%	15	Salzburg
E-Werk der Gemeinde Unzmarkt	01.01.14	-6,0%	24	Styria
Karlstrom	01.01.14	-9,4%	33	Upper Austria
Ökostrom	03.01.14	-8,0%	25	(nationwide)
Voltino eine Marke der Wels Strom	15.01.14	-8,9%	30	(nationwide)
Stadtwerke Köflach	16.01.14	-5,4%	13	Styria
Ludwig Polsterer	21.01.14	-11,9%	40	Lower Austria
Stadtwerke Mürzzuschlag	22.01.14	-5,4%	19	Styria
Lichtgenossenschaft Neukirchen	01.02.14	-5,1%	15	Salzburg
Stadtwerke Voitsberg	06.03.14	-5,0%	19	Styria
E-Werk-Sigl	01.04.14	-6,9%	23	(nationwide)
Ebner Strom	01.05.14	-6,1%	17	Styria
Solar Graz	04.07.14	-7,1%	25	(nationwide)
EVN	01.10.14	-9,8%	31	Lower Austria
Wien Energie	01.10.14	-10,0%	35	Vienna
Energie Burgenland	01.10.14	-8,1%	25	Burgenland
switch	01.10.14	-11,2%	39	(nationwide)

Source: E-Control and tariff calculator, 31 Dec 2014

* Basis for calculation: typical household with annual electricity consumption of 3,500 kWh; energy costs excl. system charges, taxes and levies

** Basis for calculation: typical household with annual electricity consumption of 3,500 kWh; energy costs incl. VAT

Chart 14
Electricity price changes
in 2014, as at
11 December 2014

a reduction in others. Households in Vienna were subject to the highest rise, at 3.8%, while the biggest cut came in Lower Austria, which saw charges fall by 8% (including grid utilisation, system loss and metering charges).

Renewable power costs went up considerably in 2014 – for a typical household with annual electricity consumption of 3,500 kWh

they rose by 26%, from EUR 54 to EUR 68 (excluding VAT).

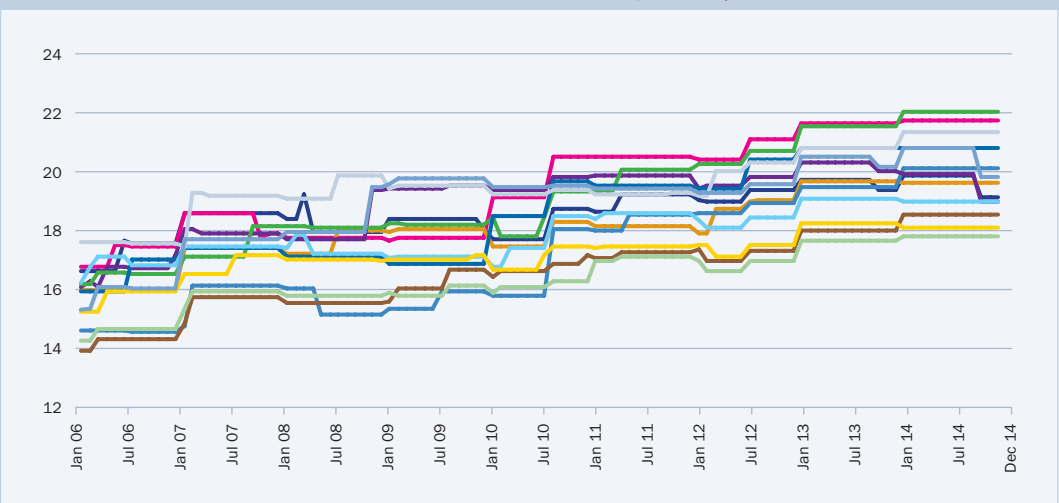
There are wide variations in overall electricity prices in the different network areas. In recent years the price differentials between the cheapest and most expensive provincial suppliers have ranged between 20% and 30%. This is explained by the companies' differing marketing strategies and retail and

Energie Burgenland
 Energie AG
 Energie Graz
 Energie Klagenfurt
 EVN
 Innsbrucker KB
 KELAG
 Linz AG
 Salzburg AG
 Energie Steiermark
 Tiwag
 VKW
 Wien Energie

Chart 15

Household electricity prices (energy, system charges, taxes and levies) by network area, excluding discounts; standard product offered by local supplier, 3,500 kWh/year

HOUSEHOLD ELECTRICITY PRICES EXCL. DISCOUNTS, CENTS/KWH



Source: E-Control, tariff calculator

procurement costs. Since the system charges also vary from network area to network area, and consumers in urban areas (e.g. Vienna) often still pay consumption levies, these cost components, too, are not identical everywhere in Austria.

SOARING UPWARDS: HOUSEHOLD GAS PRICES

The Statistics Austria gas CPI reflects the evolution of gas prices over time. Shortly before gas market liberalisation in October 2002 the gas CPI dipped, and it stayed below the 100 mark until June 2003. However, it then climbed strongly and hit 152.9 in the wake of the January 2009 gas crisis, after which gas prices declined sharply until January 2011. The gas CPI reached a new record high of 155.5 in February 2013. After that it remained stable, and it stood just below that

level in October 2014, at 154.6. Since the beginning of 2014 only three suppliers have reduced their energy prices for gas: Salzburg AG (-9.7%), Tigas (-4.9%) and Gasdiskont (-5.6%). The energy prices charged by all other suppliers have remained unchanged. In spite of stable prices, competition has increased as a result of new suppliers entering the market, various discount offers and above all thanks to the VKI Energiekosten-Stop campaign.

COMPETITION LEAVES ITS MARK

Chart 17 depicts the change in overall prices over time, broken down by network area incumbent. The difference in price between the cheapest and most expensive supplier has widened dramatically since the gas crisis in 2009, reaching about 27% at the end of 2014.

GAS CONSUMER PRICE INDEX

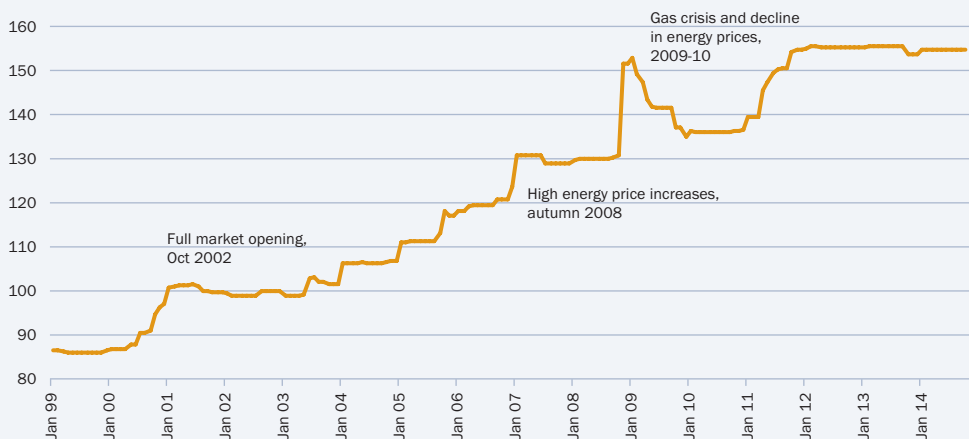


Chart 16
Gas CPI, over time
(October 2002=100)

Source: Statistics Austria and E-Control

HOUSEHOLD GAS PRICES EXCL. DISCOUNTS, CENTS/KWH

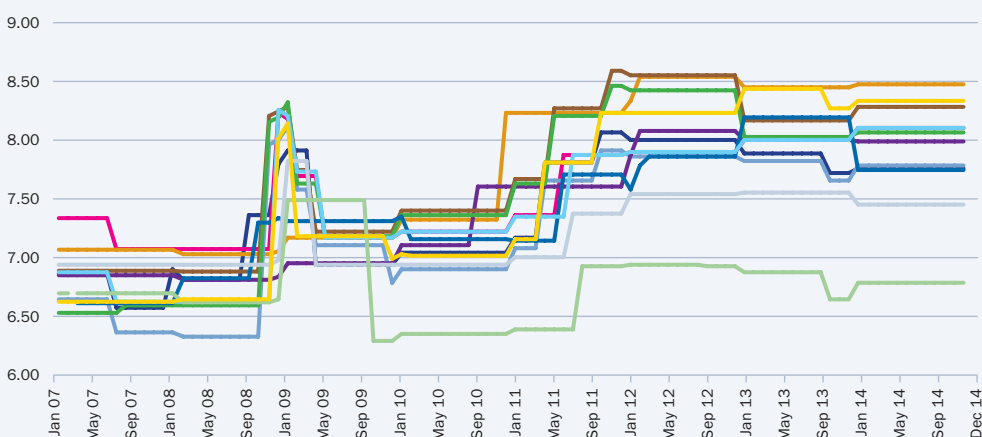


Chart 17
Household gas prices
(energy, system charges, taxes
and levies) by network area,
excluding discounts; standard
product offered by local
supplier, 15,000 kWh/year

Source: E-Control and tariff calculator

ANYTIME, ANYWHERE –

TOP-QUALITY SERVICES FOR ENERGY CONSUMERS





E-CONTROL – THE FIRST POINT OF CONTACT FOR CONSUMERS: BECAUSE REAL CUSTOMER SERVICE GOES BEYOND THE NORM

Switching supplier couldn't be any easier

A number of important changes to the legal framework for consumers were implemented in 2014. All suppliers operating in Austria are now obliged to offer small consumers (consumers without load meters) the option of switching supplier online. This means that consumers must have the possibility to submit the declarations of intent required to initiate and complete a change of provider electronically via the supplier's website, without adhering to any particular format. Suppliers must take user-friendly precautions designed to verify and authenticate the customer's identity. This removes the need for intermediate steps such as saving or printing and signing a contract.

CRYSTAL-CLEAR RULES THAT PROTECT CONSUMERS' INTERESTS

Another change obliges system operators to take steps to identify a consumer's connection point, exercising due care in the process.

Customers registering new connections (e.g. when moving home) are now no longer required to submit an energy supply contract or confirmation of supply. An informal written application notifying the system operator of the name of the desired supplier is all that is required. If a request for supply is not made and a supplier announces its intention to disconnect a customer owing to the lack of a supply agreement, the latter has until the end of the following day to supply the requisite informal written notification. The system operator must then immediately (within one working day at the latest) inform the new

supplier of the request for supply, which in turn must be confirmed by the new supplier within eight working days.

In practice, this means that system operators are not permitted to disconnect customers in such situations for a period of ten days.

These regulations are designed to ensure that consumers who move home are not put under pressure by a vertically integrated system operator to conclude a supply agreement with a supplier belonging to the same group of companies. The system operator must inform the consumer in a neutral, non-discriminatory manner of his or her freedom to choose a supplier. If a customer nominates a supplier, which in turn confirms the request for supply, disconnection is not permitted – a problem that occurred frequently in the past. This also simplifies the process of identifying metering points and consumers.

SAFETY IN NUMBERS: RECORD IN SUPPLIER SWITCHING

In 2014, around 268,000 electricity and gas consumers changed provider, an increase of 80% on the previous year. Some 206,200 electricity consumers (159,000 of which households) and 61,600 gas customers, (58,500 of which households) switched supplier. This corresponds to a switching rate of 3.5% for electricity and 4.6% for gas, compared with rates of 1.8% and 2.5% respectively in 2013. The number of switchers exceeded the 200,000 mark for the first time in 2014 – an all-time high for the Austrian market.

As a proportion of total consumers, switching rates were highest in Upper Austria, at 5.3% for electricity (around 53,000 customers) and 9.9% for gas (approx. 15,000 consumers).

Keeping costs under control: the tariff calculator for households

In 2014 electricity supplier Pullstrom, a Stadtwerke Klagenfurt brand, and Max Energy, a privately owned German energy utility, were added to the tariff calculator, bringing the total to 138 electricity suppliers and 32 gas suppliers. E-Werk Wels launched its new Gastino brand – a counterpart to its Voltino electricity brand – in late April 2014.

By the end of the year, households in Vienna, Lower Austria and Burgenland had a choice of up to 50 electricity products (compared with around 35 in mid-2013), including six to eight from regional suppliers. Household consumers in Styria have the widest selection of alternative products – a total of 47 from 26 different suppliers – and customers in Vorarlberg can now choose from 41 products.⁴

The choices on offer to gas consumers in Tyrol and Vorarlberg have expanded markedly since the introduction of the new market model in October 2013 and the opening of the retail market. In 2012 there was only one alternative supplier, goldgas, but small consumers in Vorarlberg now have a choice of nine different gas products from eight suppliers, and those in Tyrol can now choose from seven suppliers. In addition to the new suppliers, Energie Power Solutions AG (formerly OÖ Gas-Wärme), gasdiskont and Kelag have begun offering products

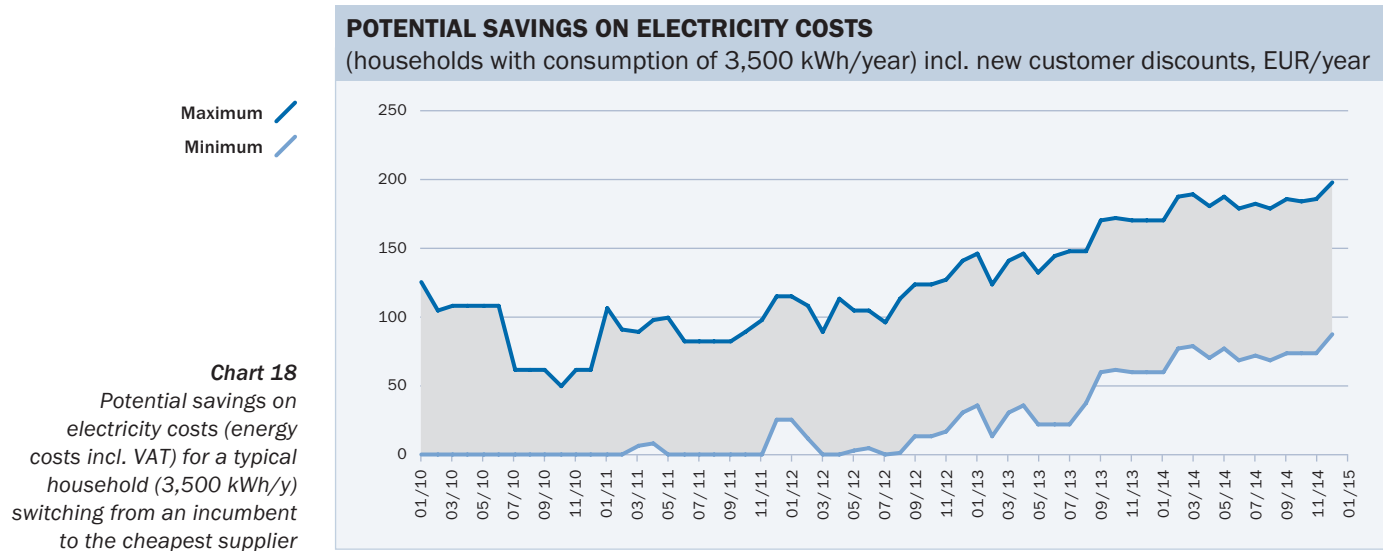
to consumers in both Tyrol and Vorarlberg, and TIGAS has started serving consumers in Vorarlberg.

In the eastern market area, households in Vienna have the a choice of 25 gas products, five of them from regional suppliers. Household consumers in Styria are offered the broadest range of products from 16 alternative suppliers and seven regional providers.

THE BEST TARIFFS ARE JUST A MOUSE CLICK AWAY

Offers include pure online products, where all correspondence takes place by e-mail, and renewable electricity or biogas products. Products with or without price guarantees are also available, as are floating prices with or without caps – known as floaters – where prices are adjusted at regular intervals in line with exchange prices. Some 70% of suppliers offer integrated billing, meaning customers receive a single bill for their energy costs and system charges. Although the majority of consumers still choose their respective provider's standard tariff, many suppliers are now marketing alternative products which are frequently far cheaper than the standard ones. The proportion of such alternatives is rising almost by the month.

⁴ See E-Control tariff calculator, October 2014

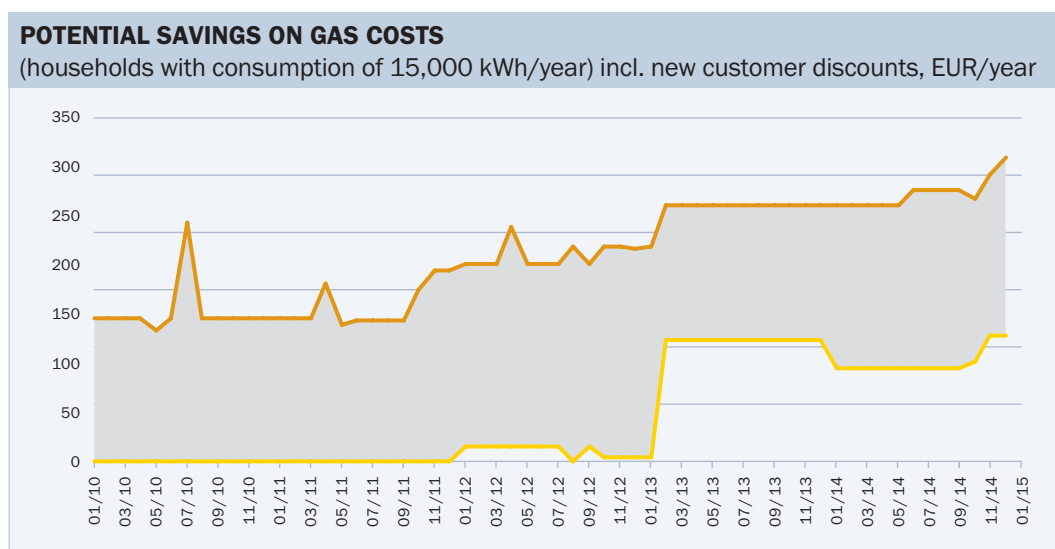


Source: E-Control and tariff calculator

Consumer awareness of the issue of energy costs continued to rise in 2014. Energy costs in the mass market remain high and have long been decoupled from wholesale prices, which are falling. This issue has been the subject of increasing media coverage. The Energiekosten-Stop campaign organised by the VKI caused a real stir on the market, prompting the highest switching rates seen since market liberalisation. The campaign was launched in late September 2013 and the best bids, selected in December of that year, were submitted by Stromdiskont (a low-cost supplier owned by Enamo Ökostrom) for electricity and goldgas for gas. By the registration deadline, 260,584 households

had expressed an interest in participating in the initiative. During 2014 a total of 98,000 households switched energy supplier as part of the campaign, of which 68,000 changed their electricity provider.

For an average household with electricity consumption of 3,500 kWh, the potential savings including new customer discounts as a result of switching from the regional incumbent to an alternative supplier peaked in December 2014. Households in the Upper Austria and Linz grid areas had the highest savings, of up to EUR 190/year (up 16% on 2013), compared with a low of EUR 86/year for households in Vorarlberg (see Chart 18).



Maximum
Minimum

Chart 19
Potential savings on gas costs (energy costs incl. VAT) for a typical household (15,000 kWh/y) switching from an incumbent to the cheapest supplier

Source: E-Control and tariff calculator

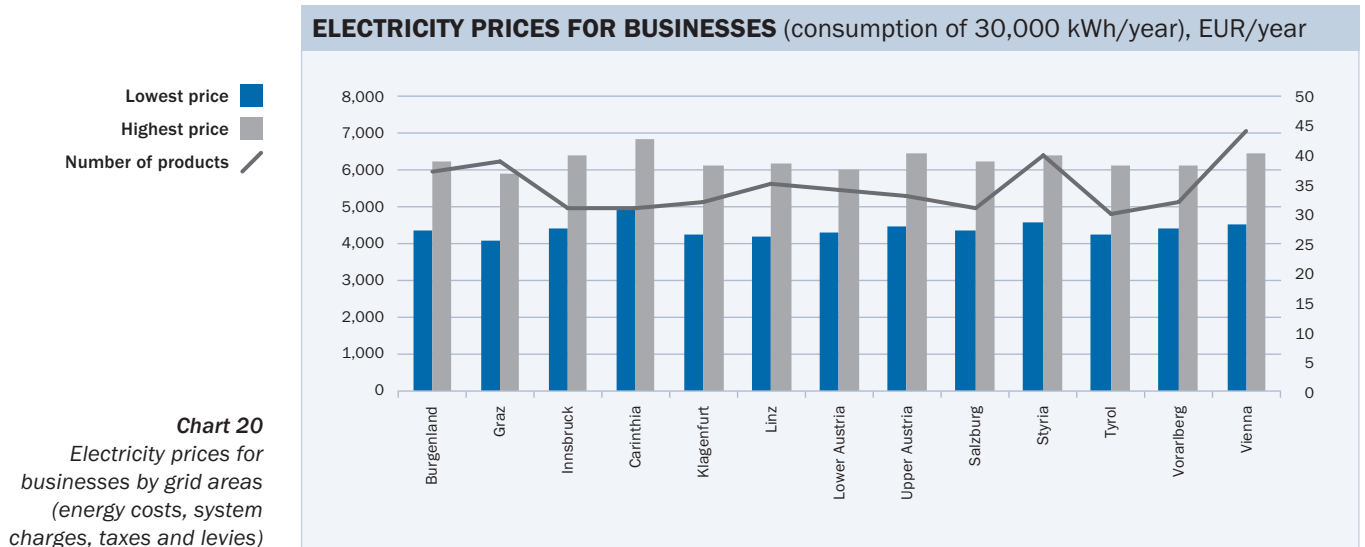
The savings available to an average household with gas consumption of 15,000 kWh also increased, reaching EUR 310/year including new customer discounts (a 19% rise year on year) for consumers in Upper Austria. Potential savings were lowest in Tyrol, at EUR 129/year (see Chart 19).

The savings on offer to consumers switching both their electricity and gas supplier reached a record for the period since market liberalisation, at EUR 507 per year.

Cutting energy costs across the board: the SME tariff calculator

A new tariff calculator providing energy price comparisons for businesses went live at the start of 2014. Companies with annual electricity consumption of up to 100,000

kWh and gas consumption of up to 400,000 kWh can compare offers and calculate the potential savings before identifying the cheapest supplier.



Source: E-Control and tariff calculator

SEARCH, SWITCH AND SAVE: FINDING THE BEST SUPPLIER

Depending on their location, businesses can choose from between 30 and 44 electricity products. For companies with consumption of 30,000 kWh, switching from the regional supplier to the cheapest alternative provider generated savings of up to EUR 1,770/year; for consumption of 100,000 kWh the savings were as high as EUR 5,890 per year⁵ (see Chart 20). The lowest price⁶ (for consumption of 30,000 kWh) offered in December 2014 was 13.25 cents/kWh, compared with a high of 23.66 cents/kWh for consumption of 100,000 kWh. The cheapest supplier including new customer discounts

was Maxenergy; excluding such discounts, Franz Extrem (owned by E-Werk Gösting) and Energie Ried had the lowest prices.

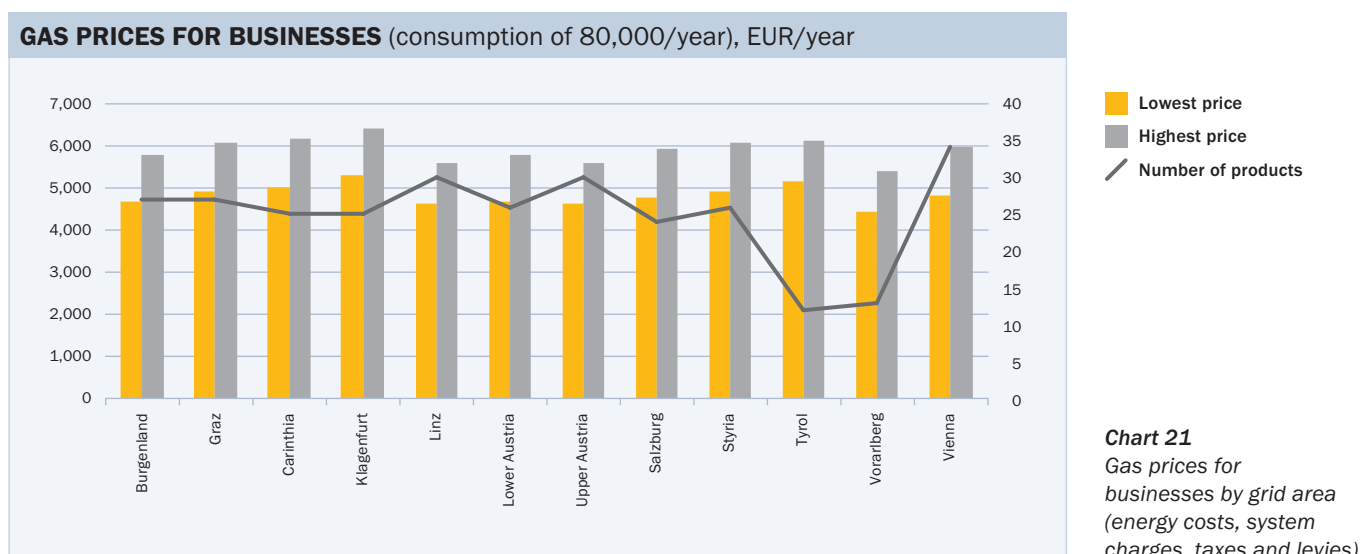
Companies in Tyrol and Vorarlberg are able to choose from 12 gas supply products, which is still far less than the choice of up to 30 on offer elsewhere in Austria. For companies with consumption of 80,000 kWh, switching from the regional supplier to the cheapest alternative provider results in savings of up to EUR 1,480/year, and of up to EUR 3,700/year for consumption of 200,000 kWh⁷. The average price⁸ for gas consumption of 80,000 kWh ranges from 5.5 cents/kWh to 7.68 cents/kWh (see Chart 21).

⁵ SME tariff calculator, 1 December 2014

⁶ Energy costs excl. new customer discounts, incl. system charges, levies and taxes

⁷ SME tariff calculator, 12 December 2014

⁸ Average price incl. energy costs, excluding new customer discounts, system charges, levies and taxes



Source: E-Control and tariff calculator

With a little help from your friends: the SME energy price check

Based on the idea of peer-to-peer information sharing, the SME energy price check tool is available to load-metered businesses with electricity consumption of between 100,000 kWh and 5 GWh per year and/or gas consumption of between 400,000 kWh and 10 GWh per year. As many as 80% of entries are submitted by businesses with annual electricity consumption of up to 1.2 GWh and/or annual gas demand of up to 3 GWh.

On average, electricity energy prices were 8-10% lower year on year in 2014, depending on the consumer's load profile. Average prices for 2014 ranged between 6.8 cents/kWh and 7.3 cents/kWh, depending on the load profile group.

Energy prices in the gas sector fell by up to 10% year on year in 2014. The average price for process gas was 2.92 cents/kWh and that for heating gas was 3.17 cents/kWh.

Companies with annual electricity consumption of 500,000 kWh and an above-average initial price can save up to EUR 16,500 a year by switching suppliers or renegotiating their deal with their current supplier. For gas consumption of 1m kWh/year the savings were around EUR 9,500, and approximately EUR 4,000 for annual consumption of 500,000 kWh.

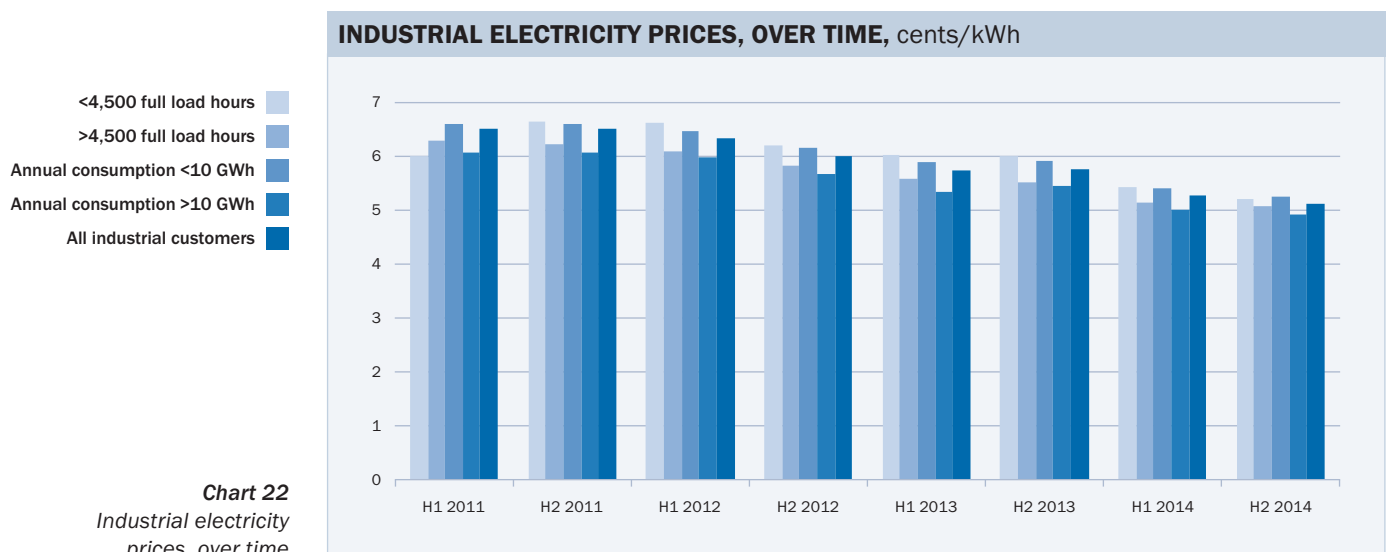
Industrial electricity price comparisons – making high energy costs a thing of the past

Since the second half of 2003 E-Control has surveyed the energy prices paid by Austrian industrial consumers directly, on a biannual basis (January and July). The questionnaire was adapted and extended for the January 2014 survey to include information on purchasing strategies and the procedure for requesting offers for energy supply. The results broken down by various categories are posted on our website and sent to the participating companies.

The survey results for 2014 (Chart 22) show a fall in industrial electricity prices compared with the previous year. Industrial electricity

prices are mainly driven by wholesale prices, since the latter are generally built into the price formulas in the supply contracts. As wholesale prices were lower than in previous years, industrial prices slipped below 2007 levels. In one category, industrial prices were under 5 cents/kWh for the first time since 2006.

Industrial consumers interested in participating in the survey can register on the E-Control website at any time. The service has been well received by industry.



Source: E-Control

Industrial gas price comparisons – energy costs on the slide

E-Control surveys the gas prices paid by industrial consumers on a biannual basis (January and July), in line with its legal obligation to prepare and publish price comparisons. Companies with operations in Austria and an annual demand of at least 400,000 MWh are asked about the pricing and supply situation, and the nature of their supply agreements (fixed price, escalation clause or combination of the two, term, etc.). The responses are aggregated and anonymised, broken down into three demand categories, and published on the E-Control website. The results are also forwarded to the participating companies. As with the survey of

industrial electricity prices, the questionnaire for industrial gas consumers was adapted and extended in 2014.

The results of the 2014 survey show a sharp decline in prices compared with 2013 (see Chart 23). Import prices have a strong influence on industrial prices, and are usually built into the price formula in the supply agreement. Since the price of imports was particularly low in the first half of 2014, industrial prices fell significantly. The prices in categories A and B were the lowest since the July 2007 survey.

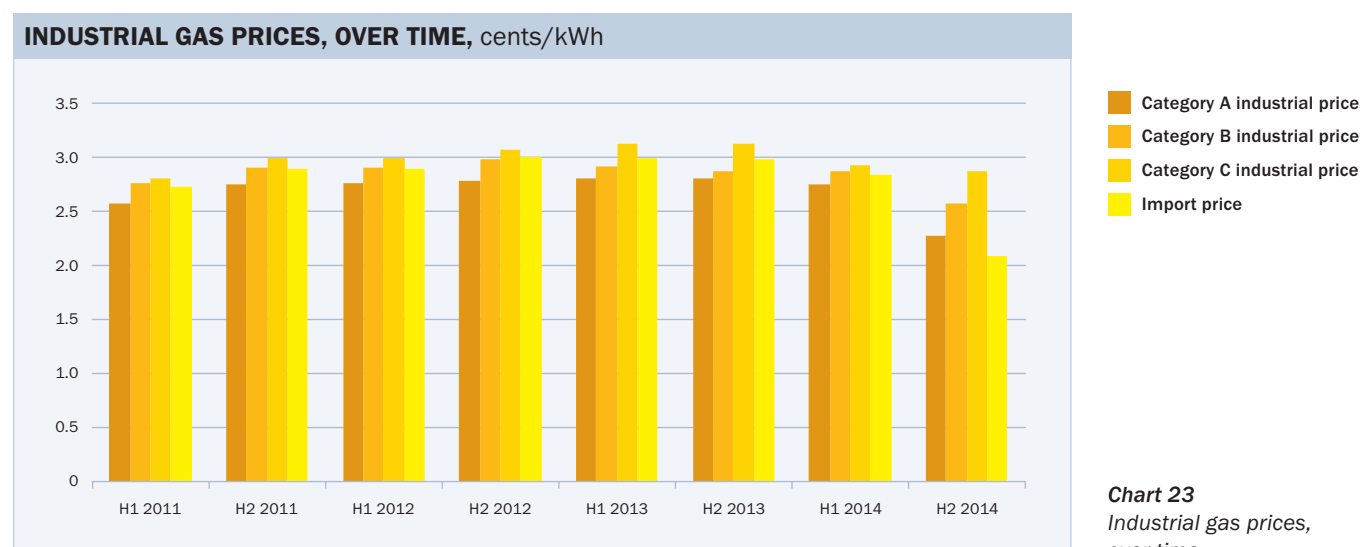


Chart 23
Industrial gas prices,
over time

Source: E-Control

E-Control's online services – closer to the consumer

THE E-CONTROL WEBSITE: CLEARER OVERVIEW

In 2014 E-Control's online applications contributed in various ways to the noticeable rise in activity among Austrian gas and electricity consumers. The main source of impetus was again our website with its target-group-based design, and the consistently low average bounce rates of around 10% are an indication that the site meets the needs of consumers looking for information.

The number of visitors to the site stayed at roughly the same level as in 2013, at about 1.1 million.

ONLINE TOOLS: REACHING MORE CONSUMERS WITH DETAILED COMPARISONS

The tariff calculator remains our most important online application, and a particularly large number of consumers used the tool to compare prices in spring 2014.

During the year more than half a million consumers used the tariff calculator to identify the most affordable gas and electricity prices. The technology behind the application also showed its worth in our collaboration with the VKI for the Energiekosten-Stop collective switching campaign.

A new price comparison tool, the SME tariff calculator, went online at the start of 2014. The number of calls to the E-Control hotline and queries submitted via our online contact form on this topic prior to the launch was an indication of the strong demand for such an application. Thanks to the tool, small and medium-sized enterprises with electricity consumption of up to 100,000 kWh and gas consumption of up to 400,000 kWh can now compare all electricity and gas tariffs.

Well over 20,000 businesses made use of the tool in its first year of operation.

The SME energy price check introduced at the start of 2013 allows businesses to compare individually negotiated energy prices with those paid by other companies in the same sector. The application attracted 10,000 visitors in 2014, meaning that in total more than 30,000 SMEs made use of our transparent, user-friendly price comparison tools. Considering the size of the target group, which is far smaller than the household segment, the reach of the new tools is extremely encouraging.

The E-Control energy saving check, which enables consumers to identify potential

savings in household energy consumption, was used over 50,000 times in 2014. This was a significant drop compared with 2013, which suggests that E-Control has already reached the majority of this particular target group in the five years since the tool was launched. In 2015 we will update the energy saving check in order to provide this highly energy-conscious target group with new insights.

E-Control's most widely used application in 2014 was again the petrol price database (www.spritpreisrechner.at) launched at the request of the economy ministry, although the number of visitors dropped slightly, probably as a result of the decline in fuel prices during the

year. The tool, which lists the cheapest filling stations close to the user's address, registered some 3.8 million hits during the year.

SOCIAL MEDIA: STRONG PRESENCE ON FACEBOOK AND TWITTER

In 2010 E-Control entered the world of social networking by launching pages on Facebook and Twitter, the world's leading platforms, with the aim of building a reputation as a trusted partner for users with an interest in energy issues. In line with the personal nature of these forms of communication, in 2013 our joint executive directors both launched their own Facebook and Twitter pages.

Customer advice – getting the message across

CONSUMERS FROM MIGRANT BACKGROUNDS: BREAKING DOWN THE LANGUAGE BARRIER

In autumn 2014 E-Control launched a customer advice initiative aimed at citizens from migrant backgrounds. This takes the form of brief presentations on E-Control's activities and services, followed by information and tips on supplier switching and saving energy. Participants also have the opportunity to get some one-on-one advice. Consecutive

interpretation into the consumers' native language is also available for some of these presentations and consultations. E-Control employees have visited 16 associations and cultural centres since September 2014.

LOCAL AUTHORITIES: BRINGING THE MESSAGE HOME

E-Control regularly stages energy consultation events throughout Austria designed to inform consumers of their rights in the liberalised

gas and electricity markets. In spring and autumn 2014 we provided advice in a total of 101 communities in six federal provinces. E-Control contacts local authorities and invites them to take part in these events, which are organised by the communities themselves. Consultations are usually held on local authority premises.

In the course of one-on-one discussions with E-Control experts, local residents receive detailed information on matters such as the savings on offer from switching supplier and our activities as the regulator. As a central point of contact, E-Control offers a range of services that help consumers to optimise their energy costs, including our website, the tariff calculator, the energy hotline, the energy price check and the dispute settlement service. Besides supplier transfers and potential savings, attendees of local events are mainly interested in having their energy bills checked and explained.

SENIOR CITIZENS – GOOD ADVICE FOR THE OLDER GENERATION

In 2014 E-Control held seven advice days aimed at senior citizens. In contrast to the community consultation events, visitors listen to a presentation of E-Control's activities and its various consumer services. This approach is designed to enable the participants to pass on information to family, friends and

acquaintances. E-Control's experts are on hand for one-on-one discussions following the presentation.

FAIRS AND EXHIBITIONS – PUTTING OUR ADVISORY SKILLS ON DISPLAY

Our expert advisers attend a variety of energy-related fairs and exhibitions in Austria. In 2014 we appeared at six different events, during which some 650 face-to-face discussions were held. These frequently focused on switching supplier and using the tariff calculator, as well as on renewable energy sources.

THE ENERGY HOTLINE – A POPULAR SOURCE OF ADVICE

The E-Control energy hotline is the leading source of information for gas and electricity customers. The hotline can be reached by dialling 0810 102554 (Austria only; calls cost EUR 0.044/minute) and it provides consumers with advice as well as full details on the liberalised gas and electricity markets. In many cases the hotline is the first port of call for energy consumers. Most enquiries are handled directly by the hotline team, although some technical questions need to be passed on to in-house experts.

In 2014 the hotline handled 6,992 calls, a decrease of 7% on 2013. The number of calls

jumped by 16% in the first half of the year, but there was a significant drop in the second half. The main factor behind this trend was the VKI's Energiekosten-Stop campaign, and a large number of consumers turned to the energy hotline with questions about the initiative.

Besides receiving information over the telephone, consumers can also submit enquiries to the hotline in writing using an online form, by e-mail and by post. Use of this service has risen steadily in the past few years. Particularly complex queries are increasingly being submitted in writing. A total of 1,646 written queries were received in 2014 – a rise of 16% year on year – and

these were swiftly dealt with either by phone or in writing.

Major concerns

In 2014, calls and written enquiries to the energy hotline mainly concerned tariff calculations, supplier switching and energy bills.

Comprehensive service

The hotline can be reached from 8.30-17.30 from Monday to Thursday, and from 8.30-15.30 on Fridays. Consumers who call outside these times can leave a message and their telephone number, and one of our staff returns their call on the following working day.

Upholding consumer rights – the E-Control dispute settlement service

All that is needed for the dispute settlement service to swing into action is an informal written application (by letter, fax or e-mail), briefly outlining what has occurred and enclosing the relevant documentation. Complaints about events going back further than four years before the application or charges that were due before the cut-off date are ineligible. The same applies to disputes concerning pending claims on which courts or

administrative tribunals have already ruled or which are already the subject of an arbitration procedure.

After closely examining inquiries, dispute settlement service staff decide whether the issues can be resolved by telephone or e-mail, or whether formal arbitration proceedings are required.

FINDING THE RIGHT SOLUTION

A large number of electricity and gas customers contacted the dispute settlement service with queries and complaints once again in 2014. Besides handling complaints over electricity and gas bills, the dispute settlement service offers support to consumers who feel that their supplier or system operator is not giving them enough information about their rights and duties. The service also fields general enquiries about the liberalised gas and electricity markets. It remains the case that some of the staff responsible for customer advice at energy companies' call centres do not have the required specialist knowledge

and as a result provide incomplete or incorrect information. Examples include details related to changing supplier and registering on the switching platform.

GIVING THE RIGHT ANSWERS

In 2014, complaints from customers again mainly related to a lack of information and clarity on the part of suppliers' and system operators' customer service units, as opposed to incorrect bills or other errors made by the companies. Experience shows that a large number of customers still attempt to resolve any complaints directly with their supplier or system operator. In many cases,

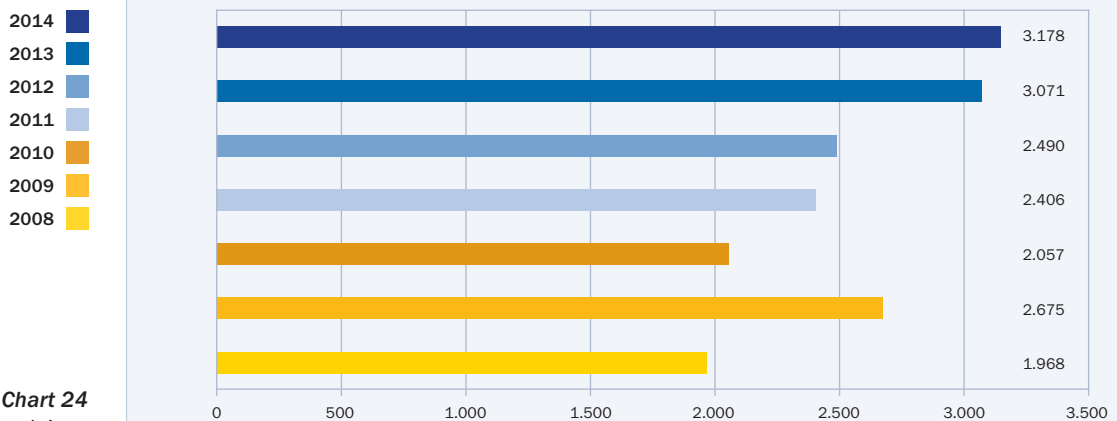
ENQUIRIES AND COMPLAINTS, 2008-2014

Chart 24
Enquiries and complaints,
2008-2014

Source: E-Control

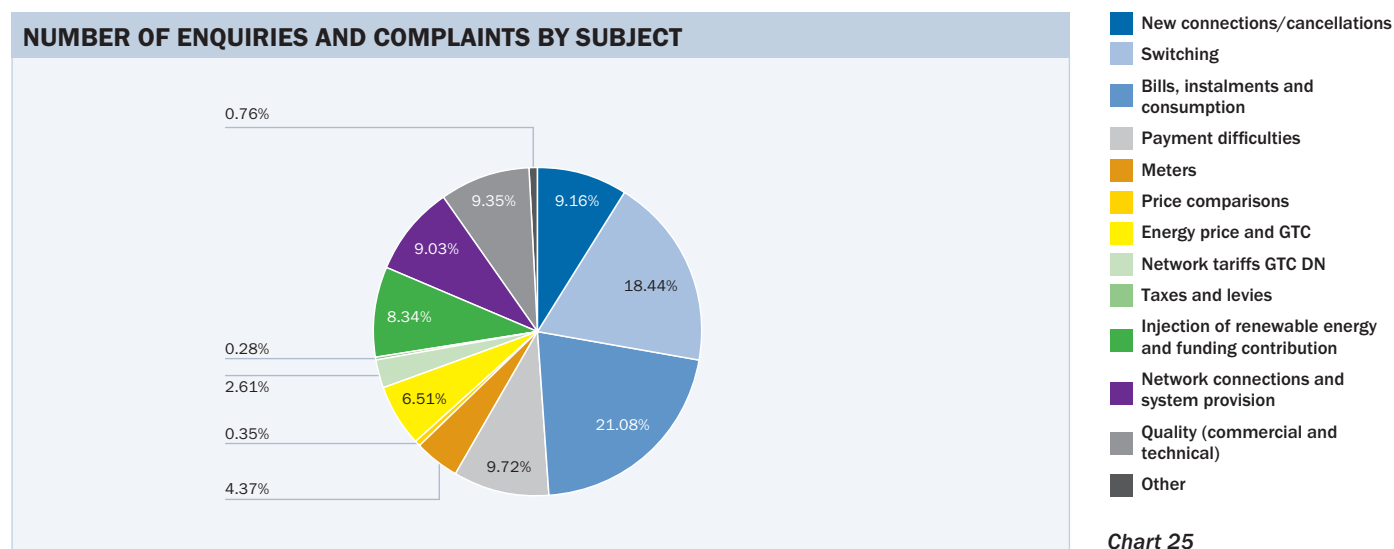
it appears that call centre staff are often poorly informed, mainly because they have received information on new legal regulations too late, or do not have sufficient information at their disposal. Many enquiries to the dispute settlement service could have been avoided if customers had received accurate, professional advice from companies when trying to resolve disputes directly.

TAKING THE RIGHT STEPS

The need for increased information and communication is particularly high in respect of online products. With such pricing models, consumers conclude the contract and receive

their bill online, and pay their bills by direct debit. In addition, all correspondence with the supplier is carried out electronically.

In some cases, companies either do not respond at all to complaints submitted electronically, or they provide inadequate responses. In the view of the dispute settlement service, contacting consumers by telephone is essential when dealing with more serious problems. However, in the case of online products this means of communication is either not an option or only available to a very limited extent.



Source: E-Control

Chart 25
Enquiries directed to the dispute settlement service by subject

In situations such as these, the dispute settlement service can help by obtaining a reply to a complaint from the company concerned.

PROVIDING ASSISTANCE WHEREVER POSSIBLE

In 2014 the dispute settlement service received 3,178 written enquiries, which represents another year-on-year rise in the number of queries and complaints.

WIDE VARIETY OF TOPICS

During the year under review, complaints focused primarily on supplier transfers and new connections following a change of

address, in combination with the customer's desire to switch to an alternative supplier.

Such billing queries, and in particular the level of and calculation method for instalments, were the most frequent reasons for contacting the dispute settlement service. Other common topics addressed during the year included payment difficulties (disconnections, reminders and collection), problems with commercial and technical network service quality, questions related to infeed and settlement for small PV arrays, the cost of making and/or upsizing network connections, and the grid provision charge.

Energy poverty: illusion and reality

In 2014, E-Control stepped up its activities to combat energy poverty, primarily with a view to enhancing understanding of the phenomenon and improving the effectiveness of potential countermeasures. This is intended to pave the way for targeted measures to curb energy poverty, and will also allow us to assess their impact more accurately.

A statistical analysis carried out by E-Control produced some surprising results regarding the characteristics of households which

state that they cannot afford to keep their apartments sufficiently warm. Such households have an average weighted net per capita income of around EUR 1,400 per month – some EUR 300 above the threshold at which a household is deemed to be at risk of poverty.

They also spend an average of EUR 95 per month on energy, compared with the Austrian average of EUR 99.

This illustrates once again that the current method for identifying households potentially affected by energy poverty is flawed. As a result, there is a danger that support measures currently in place, such as the exemption from the renewable electricity funding contribution for low-income households, are not suitable for combating energy poverty. This makes it all the more important to arrive at a clear, uniform definition of energy poverty, in view of the requirement for suppliers with more than 49 employees and revenue or total

assets of over EUR 10m to set up contact and advice centres by 1 January 2015.

E-Control put such a definition up for discussion in 2013, but as yet it has not been widely adopted. The proposed definition is as follows: "A household is considered energy poor if its income is below the at-risk-of-poverty threshold and, at the same time, it has to cover above-average energy costs".

A LEGAL FRAMEWORK

THAT KEEPS THE ELECTRICITY MARKET MOVING





ELECTRICITY MARKET:

KEEPING THE
MARKET IN MOTIONChange in tariff determination for the distribution network
and in determination of system operators' costs**ON YOUR MARKS: START OF THE THIRD
INCENTIVE REGULATION PERIOD**

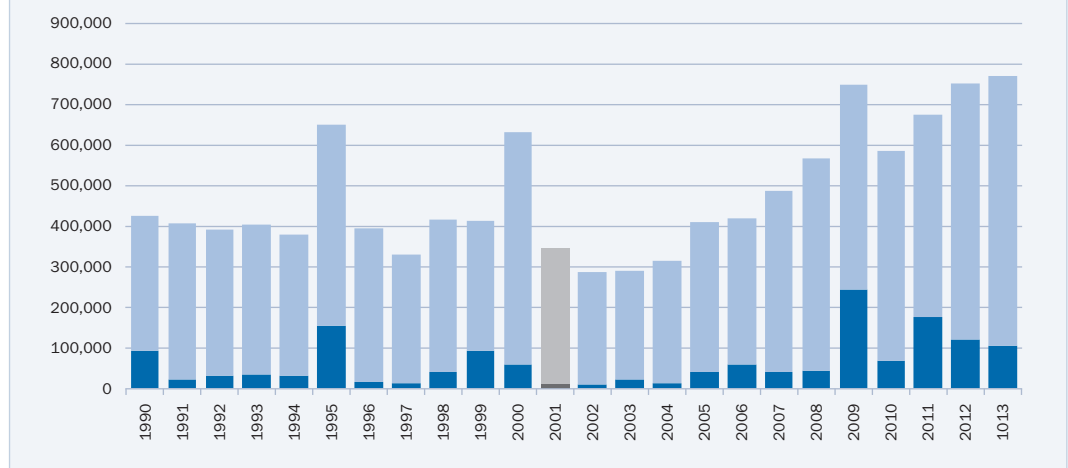
The third incentive regulation period for Austrian electricity distribution system operators (DSOs) began on 1 January 2014.

The regulation period is now five years (as opposed to four, as was the case in the previous two periods), and all the audited system operators (those that supplied over 50 GWh in 2008, as well as smaller Upper Austrian DSOs) are set individual productivity targets derived from an efficiency benchmarking study. During the regulation

period, the regulated companies are required to close half of the efficiency gap identified by the study. Capital expenditure and any increases in the scale of operations are reflected in an investment and operating cost factor that is updated on a rolling basis. As with the gas distribution networks, the long-term return on capital employed has been set at 6.42% (4.72% for debt and 8.96% for equity). The model also features a general efficiency target of 1.25% per year and recognition of cost increases in accordance with an inflation estimate. A major advance is the treatment of inherent time lags, which compensates firms

Transmission network ■
Distribution network ■

Chart 26
Gross investment in
electricity network
development incl.
transmission system
operators

GROSS INVESTMENT IN ELECTRICITY NETWORK DEVELOPMENT, EUR '000

Source: E-Control

for the disadvantages caused by systemic delays in cost compensation. Another first is the use of a regulatory account, which eliminates the regulated companies' exposure to volume risk.

The new model brings a number of significant benefits for regulated firms:

- > Greater investment and planning certainty because the parameters are set for the next five years
- > Lighter administrative workload as ongoing cost reviews are much less time-consuming than detailed annual audits
- > A chance to make higher profits: firms retain any additional savings, beyond those generated by staying on course for the productivity target, throughout

the regulatory period (and afterwards consumers profit from the lower cost level)

The fact that the system creates adequate investment incentives is reflected in system operators' capital expenditure. Investment has risen steadily in the past few years, and more was invested in both 2012 and 2013 than in any of the previous 20 years.

Many companies have recognised the advantages of incentive regulation and have seen their profits rise. In turn, customers will feel the benefits of cost reductions in the long term, as reflected in the trend in charges over time.

Electricity network regulation in detail: cost determination and determination of charges for 2014

The continued need for investment in the electricity network, the efficiency gains already achieved and the increases in system operators' costs will limit the leeway for reductions in the system charges for some time to come. Stagnant supply volumes in recent years mean that there is no prospect of a reduction in the volume-related charges.

INVESTMENTS DELIVER BENEFITS FOR ALL

Electricity market liberalisation and the rapid changes it brought about have placed significantly higher demands on transmission and distribution network infrastructure. Power station use determined by market prices, coupled with increases in output, shifting loads, new power station projects and the huge expansion in renewable generation have resulted in high system loads and costly congestion. Consequently, expansion of the

GRID UTILISATION CHARGE AND CHARGE FOR GRID LOSSES FROM 30 SEPTEMBER 2001 TO 1 JANUARY 2015

Weighted by 2011 output

Adjustment in charges per grid level	Adjustment 2001–2005		Adjustment 2006–2009		Adjustment 2010–2013		Adjustment 2014		Adjustment 2015			Overall adjustment	
	EUR m	% ¹	EUR m	% ¹	EUR m	% ¹	EUR m	% ¹	EUR m	% ¹	% ²	EUR m	% ¹
Level 3	-6.62	-12.7	-3.24	-6.2	-2.04	-3.9	-0.93	-1.8	0.22	0.4	0.6	-12.62	-24.3
Level 4	-6.17	-10.7	-1.10	-1.9	-1.50	-2.6	-0.62	-1.1	0.62	1.1	1.3	-8.77	-15.2
Level 5	-59.93	-19.6	-9.47	-3.1	-7.82	-2.6	-3.22	-1.1	1.16	0.4	0.5	-79.28	-25.9
Level 6	-27.40	-13.5	-3.88	-1.9	-4.00	-2.0	-3.51	-1.7	2.11	1.0	1.3	-36.69	-18.1
Level 7 (metered)	-56.71	-19.8	-13.90	-4.9	-11.90	-4.2	-4.98	-1.7	-0.65	-0.2	-0.3	-88.15	-30.8
Level 7 (non-metered)	-308.50	-24.0	-38.80	-3.0	-27.27	-2.1	-22.75	-1.8	2.36	0.2	0.3	-394.96	-30.7
Level 7 (interruptible)	-7.94	-12.7	-0.59	-0.9	-2.24	-3.6	-1.41	-2.3	-0.50	-0.8	-1.0	-12.59	-20.2
	-473.3	-21.0	-71.0	-3.1	-56.8	-2.5	-37.4	-1.7	5.3	0.24	0.33	-633.1	-28.1

Adjustment in charges per grid zone	Adjustment 2001–2005		Adjustment 2006–2009		Adjustment 2010–2013		Adjustment 2014		Adjustment 2015			Overall adjustment	
	EUR m	% ¹	EUR m	% ¹	EUR m	% ¹	EUR m	% ¹	EUR m	% ¹	% ²	EUR m	% ¹
Burgenland	-32.3	-33.5	-6.0	-6.3	-4.1	-4.2	0.6	0.6	-0.2	-0.2	-0.3	-41.9	-43.6
Carinthia	-16.5	-12.7	1.8	1.4	11.6	8.9	-0.2	-0.1	0.7	0.6	0.6	-2.5	-1.9
Klagenfurt	-3.6	-15.2	0.8	3.3	-0.3	-1.5	0.3	1.4	1.3	5.6	6.4	-1.5	-6.3
Lower Austria	-50.6	-16.9	-3.4	-1.1	-5.8	-1.9	-21.5	-7.2	-6.1	-2.0	-2.8	-87.4	-29.2
Upper Austria	-58.6	-19.5	-16.9	-5.6	-14.9	-5.0	-7.1	-2.4	-5.7	-1.9	-2.8	-103.3	-34.4
Linz	-18.1	-19.5	-7.6	-8.2	-3.2	-3.5	-4.9	-5.3	-4.4	-4.7	-7.4	-38.2	-41.2
Salzburg	-50.0	-27.6	-13.2	-7.3	-11.1	-6.1	-3.3	-1.8	-0.8	-0.5	-0.8	-78.4	-43.3
Styria	-107.7	-28.6	-24.0	-6.4	-23.4	-6.2	0.9	0.2	11.8	3.1	5.3	-142.4	-37.8
Graz	-14.6	-29.9	-3.1	-6.3	-0.6	-1.3	-1.8	-3.7	-0.5	-1.1	-1.9	-20.6	-42.2
Tyrol	-27.2	-14.7	-3.5	-1.9	-0.9	-0.5	-10.4	-5.6	-0.7	-0.4	-0.5	-42.5	-23.0
Innsbruck	-3.3	-10.4	1.4	4.5	-0.3	-0.9	0.2	0.5	0.6	2.1	2.2	-1.3	-4.3
Vorarlberg	-9.3	-11.2	2.0	2.4	-2.0	-2.4	-3.7	-4.5	-2.5	-3.0	-3.5	-15.4	-18.7
Vienna	-81.5	-20.1	0.6	0.2	-2.0	-0.5	13.5	3.3	11.5	2.8	3.4	-57.8	-14.3
Kleinwalsertal	-0.1	-6.4	0.0	-1.9	0.3	14.9	-0.1	-6.2	0.1	4.9	4.8	0.1	5.2
	-473.3	-21.0	-71.0	-3.1	-56.8	-2.5	-37.4	-1.7	5.3	0.24	0.33	-633.1	-28.1

¹ Percentage change in the respective period based on revenue from output in 2011 multiplied by the system charge in 2001² Percentage change in the respective period based on revenue from output in 2011 multiplied by the system charge in the previous year**Chart 27***Electricity grid utilisation charge and charge for grid losses from 30 September 2001 to 1 January 2015*

Source: E-Control

AUSTRIAN SYSTEM CHARGES, cents/kWh

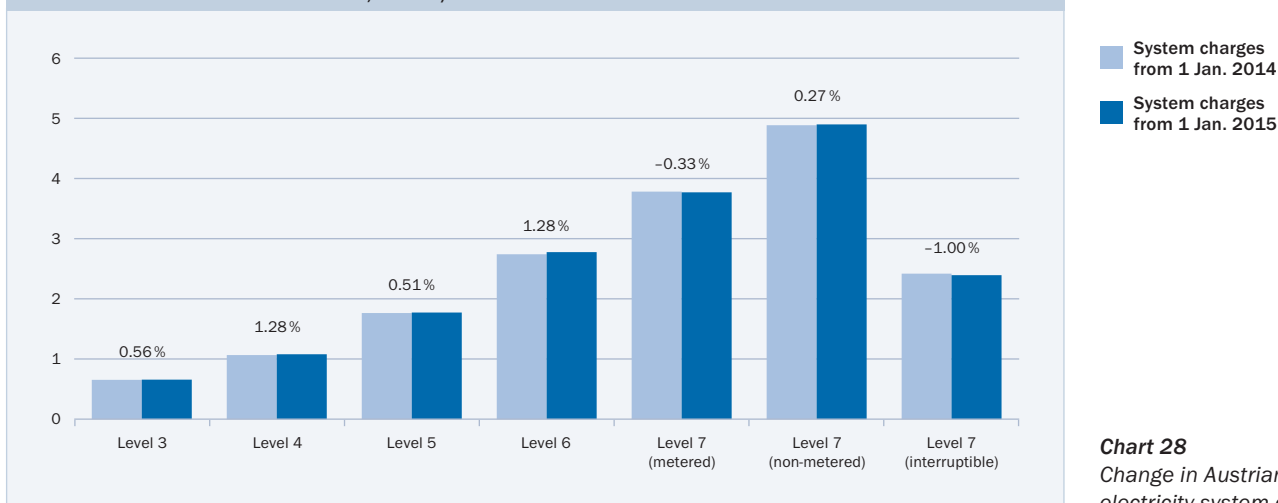


Chart 28
Change in Austrian electricity system charges

Source: E-Control

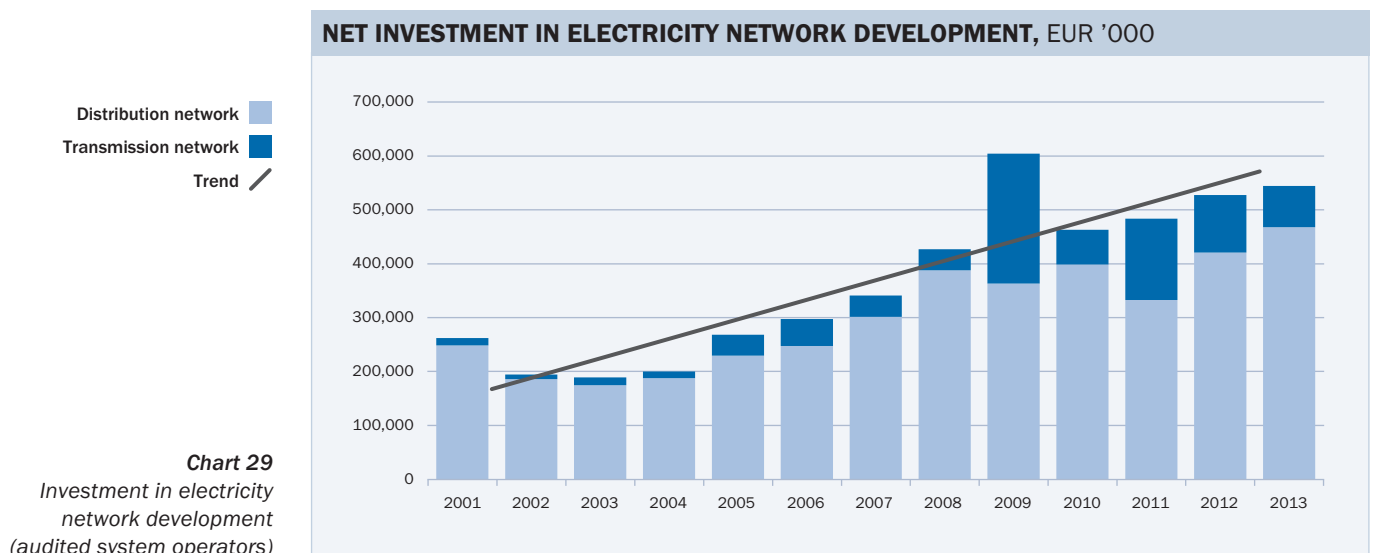
network is essential in order to guarantee supply security in the future.

Investment by Austrian electricity system operators rose slightly year on year in 2013, with the focus on renewing power lines and extending capacity. Investment in smart technologies (such as smart meters and smart grids) climbed sharply year on year, though it remains at a low level. The majority of projects currently under way in the transmission system are aimed at expanding transformation facilities and boosting network capacity. Investment in the electricity grid is expected to remain unchanged or increase

in 2014, although the figures will only be published in 2015. This is mainly a result of the aforementioned modification of network infrastructure, as well as the growing demand for capacity and system connections resulting from the transportation of renewable energy on the distribution network. As far as the transmission system is concerned, it remains to be seen whether investment in the 380 kV loop, in the shape of implementation of the controversial Salzburg II 380 kV line project, is given the go-ahead. This would prompt a surge in investment in the transmission system over the next few years. Chart 29 shows the change in net investment (i.e. excluding

plant funded by consumer contributions to connection costs) in the electricity distribution and transmission systems since market liberalisation. Investment by Austrian electricity system operators rose steadily during the period. This was a response to the

factors mentioned above and to the regulatory framework, which provides for compensation in the form of cost-reflective system charges, as well as the necessary incentives that promote timely investment.



Source: E-Control

The balancing market – national initiatives, international vision

Since the beginning of 2012, procurement of balancing services has been exclusively market-based, and is handled by Austrian Power Grid (APG). E-Control closely monitors developments on the various markets. The

control reserve cost components which make up balancing energy costs grew significantly, mainly as a result of the low level of competition on the balancing market and the increased injection of erratic renewable energy, coupled

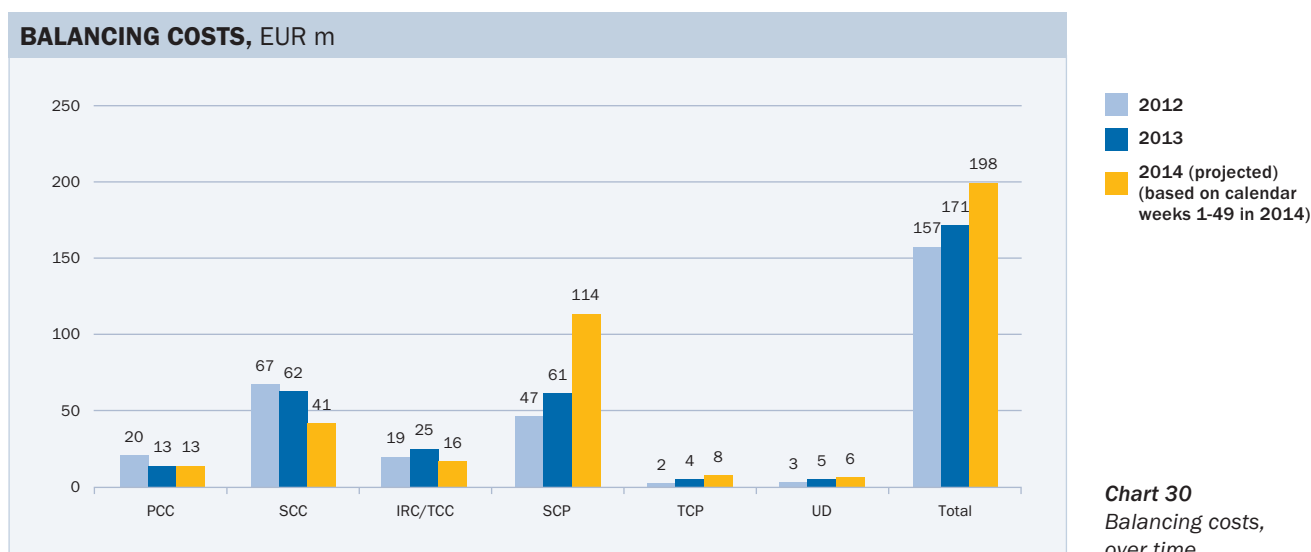


Chart 30
Balancing costs,
over time

Source: E-Control

with the limited use of short-term forecasts. In response to the sharp rise in balancing energy costs in recent years, E-Control has launched a number of initiatives in Austria with the aim of stimulating the balancing market, and has established international partnerships that will keep the costs for balancing services in check.

The market participants, some of which expanded their product portfolios in 2014, are listed on the APG website. Efforts are concentrating on breathing new life into competition, for instance with the entry of new market participants from the industrial sector. This has been facilitated by amendments

to the prequalification conditions and by APG's decision to reduce the minimum bid for the supply of tertiary control to 5 MW, as well as by changes in the grid utilisation charge for balancing services. Additional new participants are expected to enter the market in the next few months.

We launched an imbalance netting cooperation (INC) programme in May 2013 with Slovenian transmission system operator (TSO) ELES, under which power surpluses or shortfalls in a control area are balanced by means of transfers to or from another control area. This has led to a reduction in the amount of energy called off and the

related costs, as well as freeing up control reserves, which in turn boosts grid reliability. In April 2014 APG joined the International Grid Control Cooperation (IGCC) project, a collaboration launched in Germany between nine European TSOs. Further partnerships in respect of secondary and tertiary control are currently being implemented.

With regard to primary control, APG has been cooperating successfully with Swiss TSO Swissgrid energy since 2013. Prices have dropped considerably due to higher levels of liquidity in the market and changes in bidding behaviour, and are expected to remain at this level in 2014. A number of countries are due to join the partnership in early 2015.

In spite of the steps taken, in particular APG's decision to join the IGCC project, which has significantly reduced call-offs of secondary control power, the costs of procuring balancing services rose sharply year on year in 2014. This was mainly reflected the high costs at the beginning of the year and the considerable increase in the prices offered by providers of secondary control power in the fourth quarter. The trend highlights the growing importance of flexibility in the electricity sector, which in turn is pushing up the prices of flexibility products.

Market integration – overcoming barriers to supply security

Launched in February 2014, coupling of the day-ahead markets in the Central-West (CWE) region, Scandinavia and the United Kingdom represents a major milestone in the process of European market integration. As a result of this process, the Austrian market is integrated into the joint day-ahead price determination model, and countries that account for some 75% of Europe's total electricity demand are connected by a shared market mechanism.

In Austria, the focus in 2014 was on extending this coupling across the country's border with Italy and into the Central-Southern Europe region. Preparations for this project are well under way. Although it was not possible to meet the original deadline for implementation of year-end 2014, the project is now scheduled to go live in the first quarter of 2015. This means that for the first time, one of Austria's borders will be directly

incorporated into the European market coupling system, with capacity allocated by means of implicit auctions.

At the start of 2014, a number of TSOs, electricity exchanges and regulators (including the European Agency for the Cooperation of Energy Regulators, ACER) signed a memorandum of understanding on the implementation of flow based market coupling. On the basis of this declaration the TSOs and power exchanges newly initiated their preparations, setting up joint project structures and implementing specific measures. Planning consultations will take place early in 2015, with a view to implementing market coupling in 2016. The close integration of the regional grid results in loop flows which pose a significant challenge for flow based capacity calculations. With

this in mind, the TSOs are considering redispatching measures (especially in Germany and Austria) as a means of limiting the impact of loop flows.

In the year under review, Austria also became more closely involved in coordinated flow based grid capacity calculations in the Central-West region. Data from Austria have been included in the calculations since November 2014, thereby enhancing their accuracy. APG and E-Control are also participating in a coordinated appraisal of generation adequacy in the CWE region, as part of the Pentalateral Energy Forum. This study will assess whether sufficient generating capacity is available to cope with critical situations (where loads are high), and will serve as a pilot project for the whole of Europe on account of the level of detail employed.

SECURITY OF SUPPLY

FOR A HEALTHY NETWORK





GAS MARKET:

THE BEST PROTECTION AGAINST A GAS CRISIS: FORESIGHT

Network regulation: gas cost determination and determination of charges

A stable, long-term incentive regulation system for gas distribution system operators has been in place since 2008. The second incentive regulation period for distribution system operators is currently in progress, meaning that the regime for determining gas system charges was unchanged in 2014.

Charges are influenced by a number of factors: grid level 1 costs (which are shared between network areas according to the cost cascading method), the direct costs of system operators in the network area, and volumes in the network area. The average for the three

years for which the most recent statistics are available is used to determine volumes.

The 2015 amendment to the Gas System Charges Ordinance 2013 included, for the first time, a special system utilisation charge for participants on the electricity balancing market. This charge takes account of the special circumstances of electricity balancing market participants. It applies only to days on which gas is withdrawn from the network due to the use of electricity balancing services (positive balancing energy, injection or reduced offtake of electricity to/from the grid).

2014 ■
2015 ■

SYSTEM CHARGES, 90,000,000 KWH, 7,000 HRS, GRID LEVEL 2, cents/kWh

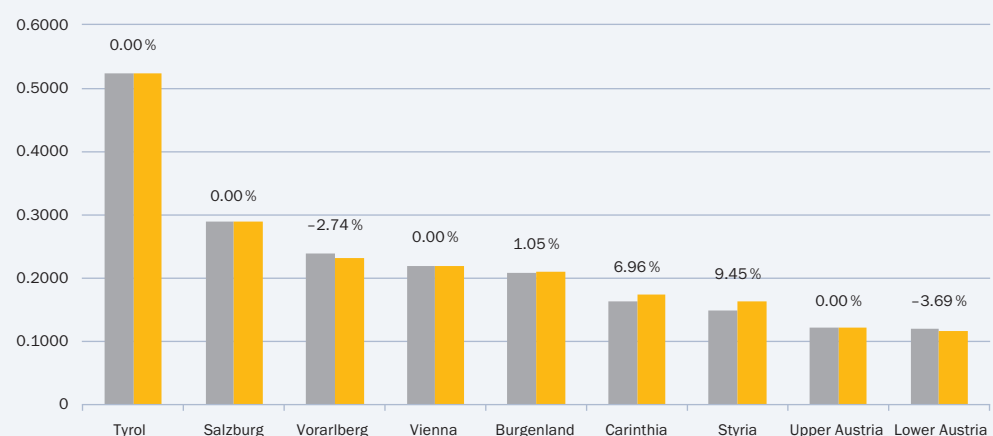


Chart 31
Gas system charges for
typical consumers,
grid level 2

Source: E-Control

Application of a daily charge prevents a single call-off of balancing energy from determining the billing capacity for gas system utilisation charges for an entire month. This would make calculations for offers on the electricity balancing market unnecessarily complicated, requiring the price to reflect probable call-offs that might have a high impact on costs.

GAS NETWORK INFRASTRUCTURE – INVESTMENTS THAT MAKE A REAL IMPACT

In terms of investments by Austrian gas system operators, the priorities remain safeguarding security of supply for domestic demand, as well as promoting market integration and diversification of transportation routes. Commissioning of

the Westschiene transmission pipeline (connecting Baumgarten with the 7Fields and Haidach storage facilities in Upper Austria) was completed in 2014. The opening ceremony took place on 18 November 2014, following several years of construction and major investments by the system operators involved (Netz NÖ GmbH, Gas Connect Austria GmbH and OÖ. Ferngas Netz GmbH). The need for such a pipeline was identified in 2007 on the basis of the large number of new capacity reservations. In addition to the Westschiene, the Südschiene pipeline – one of the most important connectors in southern Austria – has been commissioned in stages, beginning in 2011. Both of these pipelines – the construction of which has required

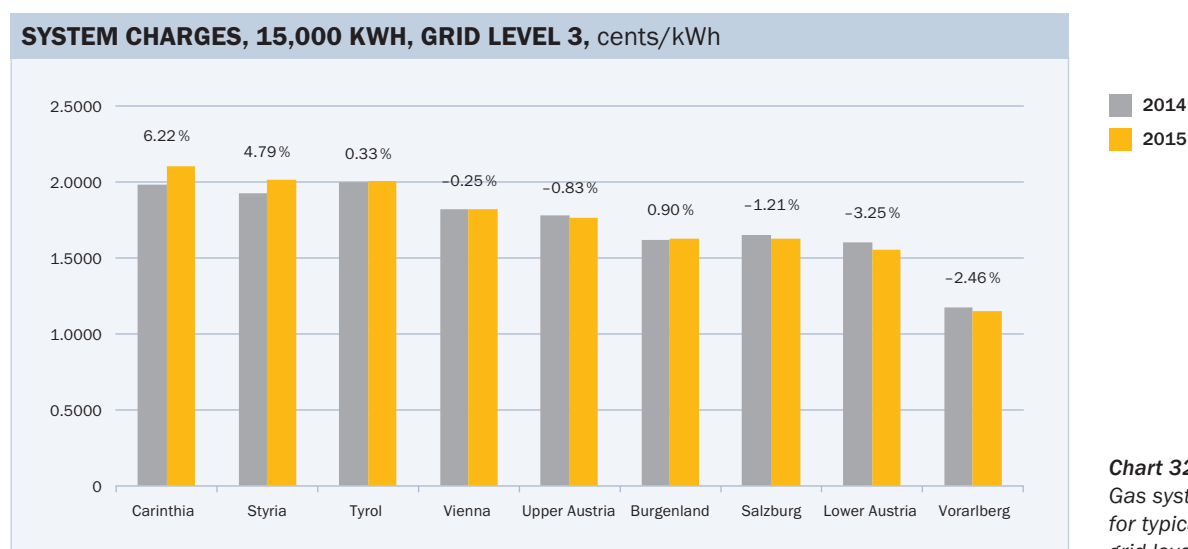


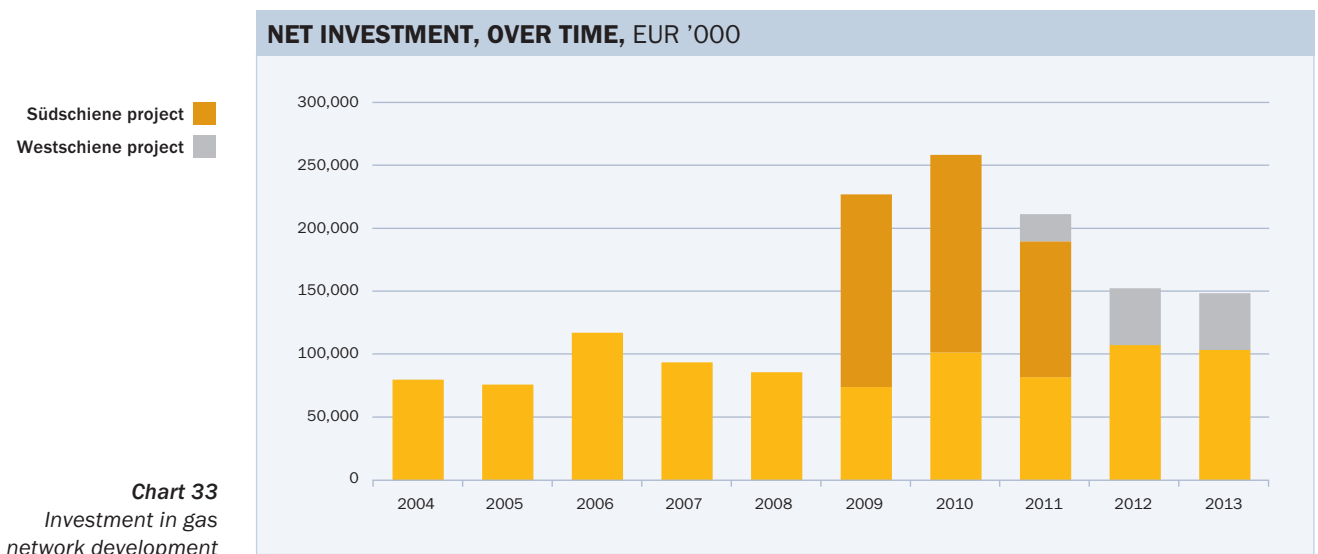
Chart 32
Gas system charges
for typical consumers,
grid level 3

Source: E-Control

massive investment as well as increases in system charges – are now complete, and have made a key contribution to the security of gas supplies in Austria and Europe. Without the connection to western Austria, for instance, the storage facilities located in Upper Austria would not be able to inject gas into the Austrian network. While the Westschiene is used for this and other purposes, utilisation of the Südschiene in comparison with its technical capacity is below expectations, primarily due to reports regarding the mothballing of Mellach power station. It was also announced in 2014 that the Haidach storage reservoir will be connected to the Austrian network in addition to the newly built 7Fields facility.

Implementing distribution network projects is the main focus of infrastructure investment at present. A small number of projects aimed at expanding the network in Austria are

also being implemented, but the growing pressure from alternative energy sources (district or local district heating) and energy efficiency requirements is having a major influence on project implementation. The chart below shows the slight change in gross investment in comparison to past years. As outlined above, major investments in transmission pipelines took place between 2009 and 2011. Investments in replacement and renewal of ageing infrastructure in the gas distribution network are also necessary. Investment of this kind has increased steadily since 2008, and will need to remain at a similar level in the years to come. As in the electricity network, the regulator has created the framework required to incentivise efficient investments in the gas network and to guarantee adequate compensation by means of network charges.



Source: E-Control (aggregate company data, 2013 survey; acquisition and production costs)

Gas storage market: as good as full

Storage capacity in Austria grew by 9% in 2014, to 91,127 GWh. Storage facilities directly connected to the eastern market area have a total working gas volume (WGV) of 61,427 GWh. In contrast, domestic consumption fell by 8% to 80,000 GWh in 2014. The LAB storage facility in Slovakia is linked to the Austrian market by the MAB pipeline. It has a WGV of 652 million cu m and a withdrawal capacity of 285,416 cu m/h.⁹

BENEFITS AND UTILISATION OF STORAGE IN 2014

The percentage full rate at Austria's gas storage facilities was markedly higher year on year, and stood at 99% at the start of the 2014/15 gas year on 1 October 2014 (2013: 86%). This was due in part to higher percentage full levels following the mild 2013/14 winter, as well as higher rates of injection into storage during the summer months, probably as a result of lower wholesale prices.

STORAGE CAPACITY IN AUSTRIA						
Storage system operators/storage facilities	Injection rate, MWh/h	Proportion of total injections	Withdrawal rate, MWh/h	Proportion of total withdrawals	Working gas volume, MWh	Share of total working gas volume
OMV-Schönkirchen	7,306		10,790		20,007,000	
OMV-Tallesbrunn	1,405		1,798		4,496,000	
OMV-Thann	1,293		1,461		2,810,000	
Total OMV storage capacity	10,004	28%	14,049	32%	27,313,000	30%
RAG-Puchkirchen	5,800		5,800		12,100,000	
RAG-Haidach 5	225		225		1,100,000	
RAG-Aigelsbrunn	562		562		180,000	
RAG-Nussdorf/Zagling	681		681		1,300,000	
Total RAG storage capacity	7,265	21%	7,265	17%	14,699,000	16%
E.ON Gas Storage 7fields	6,742	19%	10,112	23%	19,415,000	21%
Storage facilities connected to the market area	24,011		31,426		61,427,000	
Astoria-Haidach	3,733	11%	4,133	9%	9,900,000	11%
Gazprom-Haidach	7,467	21%	8,267	19%	19,800,000	22%
Total	35,211	100%	43,826	100%	91,127,000	100%

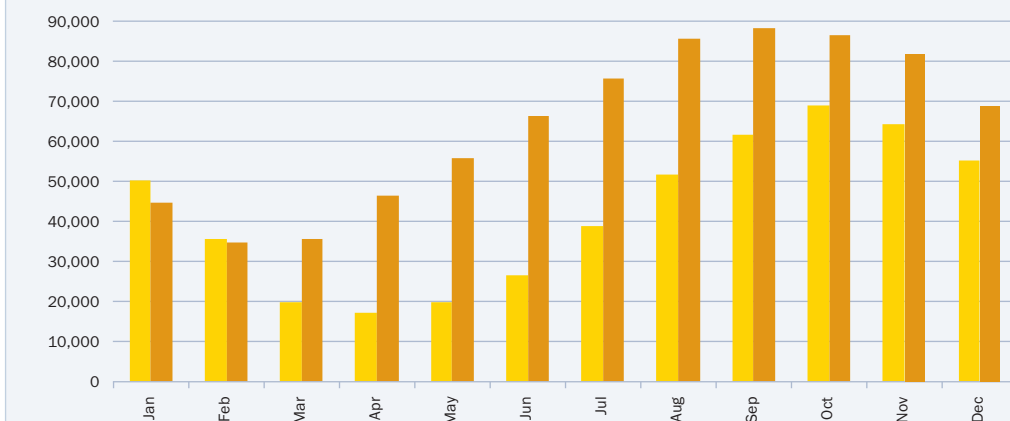
Chart 34
Gas storage capacity
in Austria, December 2014

Source: Corporate websites – www.omv.com; www.rag-energy-storage.at; www.astora.de/speicher.html; www.eon-gas-storage.de; www.gazpromexport.ru/en/haidach/

⁹ See <http://pozagas.sk/en/ungsf-lab-4/>

NATURAL GAS IN AUSTRIA – MONTH-END STORAGE LEVELS, GWh

2013 ■
2014 ■

**Chart 35**

Austrian storage
facilities, storage levels,
2013 and 2014

Source: E-Control

Curtailments to Russian gas supplies

From mid-September 2014, supplies of natural gas from Russia to Austria and other European countries were subject to intermittent reductions. However, this had no effect on the domestic gas supply situation, due to high storage levels and low consumption. Cutbacks in Russian gas deliveries over a longer period can also be compensated for. Limited supply curtailments in the past have always been carefully monitored; however, the size of the reductions in deliveries in 2014 and the time periods over which they extended were exceptional. Even after agreement was reached between Russia and Ukraine on the “winter package”, the situation was not fully

resolved. It remained to be seen over the winter of 2014/15 whether the agreement would result in an improvement in the situation in Ukraine, and whether supplies to other eastern European countries were assured for the longer term.

Despite this, domestic gas supplies were not in danger, thanks to high percentage full rates at storage facilities, combined with significantly higher storage capacities in comparison with the previous year, and as a result of (at times sharp) declines in consumption due to higher temperatures and correspondingly lower heat demand, as well as reduced demand from thermal power stations.

When it comes to the crunch: stress tests for Europe's gas system

During the crisis between Russia and Ukraine, the EU Commission initiated a European energy stress test process, requesting member states to assess and evaluate the effects of interruptions to gas deliveries, and to develop appropriate responses for ensuring security of supply based on different scenarios.

An extended suspension of gas deliveries from Russia would certainly have a serious impact on security of supply in Europe, with eastern member states and Energy Community countries in south-eastern Europe bearing the brunt. However, the European Commission's report shows that cooperation between all member states can reduce interruptions of supply to individual countries, meaning that no EU citizen would need to go without heating.

In Austria, response plans and legal provisions are already in place to react to the emergence of a gas crisis. The Preventive Action Plan is intended to prevent a crisis from occurring or to contain a crisis if it should occur, while the Emergency Plan describes the procedures and actions to be taken in case of emergency. In addition to these provisions, the energy market is monitored on an ongoing basis by the regulatory authority.

AUSTRIA: WELL-PREPARED IF GAS EXPORTERS TURN UP THE HEAT

In principle it can be assumed that gas supplies in Austria will be maintained. The country has high storage capacity and a well-

developed pipeline network. If gas deliveries via Ukraine collapse completely, it would still be possible to transport Russian gas via the Nord Stream pipeline through Germany, the Czech Republic and Slovakia to the Baumgarten distribution hub in Austria. In the unlikely event that Russia entirely suspends gas deliveries to Europe, shortages could occur in the medium or long term. However, such shortages can generally be minimised or remedied completely by way of market-based incentives (e.g. price incentives).

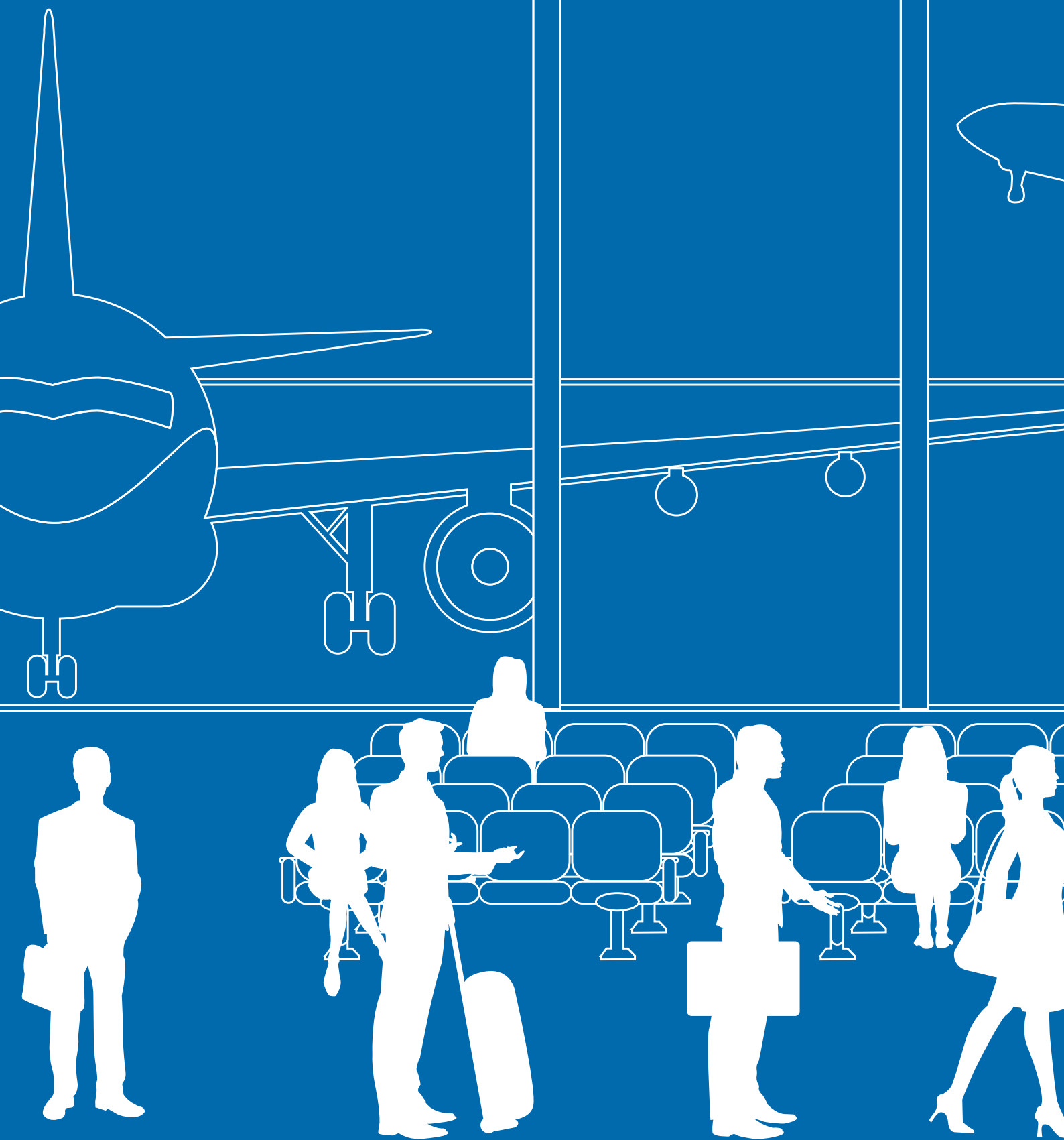
If market-based measures are insufficient to ensure security of supply, the Federal Minister of Science, Research and Economy can take action ranging from appeals to save gas all the way to management of available gas volumes. These measures would naturally only affect large consumers¹⁰ in the first instance. Households and other small consumers would not be directly affected by such measures, although they would be able to actively contribute to supporting security of supply by changing their consumption patterns (e.g. to reduce peak demand during morning hours).

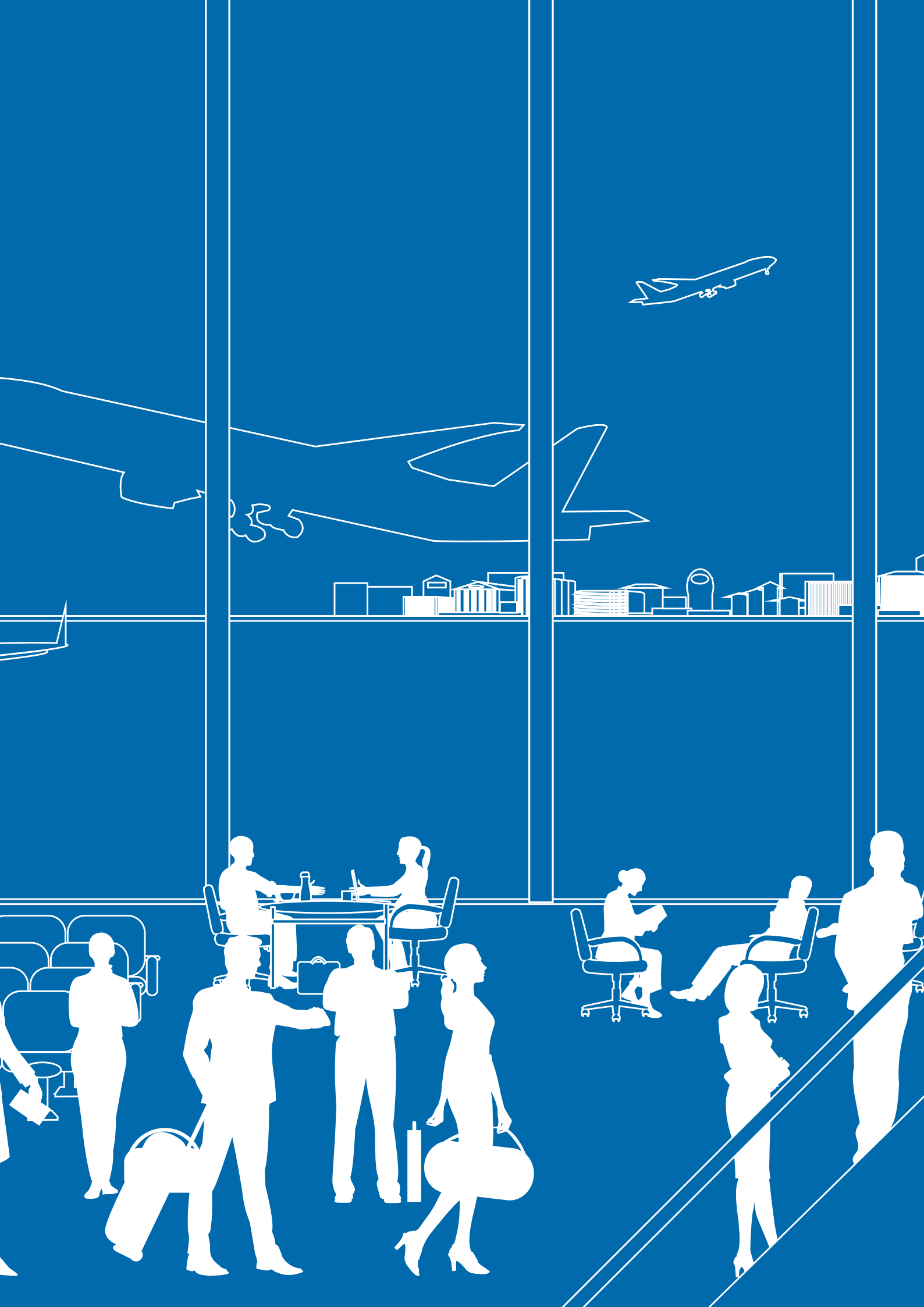
One problem that could arise as a result of a long-term interruption to supplies from Russia is that of refilling storage facilities over the summer months, in preparation for the following winter. Russian gas could at least partly be replaced by additional deliveries of liquid natural gas (LNG) via Italy for this purpose.

¹⁰ Consumers with contractually agreed maximum capacity of over 50,000 kWh.

BOARDING TIME

FOR A BORDERLESS ENERGY MARKET





CROSS-BORDER ACTIVITIES:

E-CONTROL GOES INTERNATIONAL.

E-Control's statutory duties include cooperation aimed at further progress towards a European internal energy market. We mainly fulfil this responsibility by playing an active role in the work of the Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER).

Having a say in developments in the European energy sector with a view to furthering Austrian interests is vital in light of the extensive

integration of Europe's transmission network and the related markets, as well as Austria's position at the heart of the continent. It enables us to ensure comparable and competitive gas and electricity costs for domestic businesses, and to help companies capitalise on the commercial opportunities presented by the internal energy market. For this reason, E-Control representatives play a leading role in numerous European working groups and on coordination committees.

The EU internal energy market: making good strides

ACER's activities once again centred on implementing the third energy package, with a focus on drafting framework guidelines. These lay the groundwork for the preparation of detailed network codes by the European Network of Transmission System Operators for Gas (ENTSO-G) and Electricity (ENTSO-E). The European Commission then publishes a draft regulation based on the ACER guidelines and the network codes drawn up by ENTSOG and ENTSO-E; the regulation is adopted via the comitology procedure. The procedure concludes with the publication of the final regulation in the Official Journal of the European Union.

GAS NETWORK CODES IN 2014

Commission Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks was published in the EU Official Journal on 26 March 2014.

The Network Code on Interoperability and Data Exchange Rules was adopted via the comitology procedure in November 2014. The relevant Commission regulation is due to be published in the EU's Official Journal in spring 2015.

ELECTRICITY NETWORK CODES IN 2014

Decisive progress towards introducing the first electricity network codes was made in 2014. The text for the code for capacity allocation and congestion management was adopted in a comitology procedure on 5 December 2014. ACER has already submitted its recommendations to the European Commission in the form of opinions on the following draft ENTSO-E network codes and guidelines:

- > Requirements for Generators
- > Demand Connection

- > Operational Security
- > Operational Planning and Scheduling
- > Load Frequency Control and Reserves
- > Forward Capacity Allocation
- > High Voltage Direct Current

These deal with key market-related and technical issues which will be highly significant for market integration and network reliability in Europe. Unfortunately, progress on the legal framework for the electricity sector is far slower than that in the gas industry.

ACER: building a bridge to the future

In autumn 2014, ACER launched a new strategy entitled A Bridge to 2025. Developed in close consultation with CEER, its aims include establishing a fully functional energy market that generates additional benefits for consumers. CEER members (including E-Control) were involved in drawing up specific proposals for designing functioning and competitive energy markets, maintaining consumer protection, in particular for groups of vulnerable consumers, and enhancing consumers' rights and enabling them to play a part in shaping Europe's energy markets. In the next few years, CEER will increasingly

focus on the criteria for functioning energy markets and on developing standards designed to remove entry barriers for new energy market participants. E-Control will play an active and decisive role in this process, working in the interests of energy consumers.

STRENGTHENING CONSUMERS' RIGHTS

Continuing to empower consumers is another vital concern. For instance, all consumers should have the right to choose any gas or electricity supplier in the EU.

SPEEDING UP SUPPLIER TRANSFERS

The ACER programme underlines the right of energy consumers to switch their gas or electricity provider within 24 hours. This provision will come into effect by 2025 at the latest, provided that the results of a cost-benefit analysis are positive. European regulators are also in favour of giving consumers opportunities to participate in the balancing market.

SUPPORTING CONSUMER GROUPS

The list of demands drawn up by Europe's regulators also includes improved representation of energy consumers at EU level. Although system operators and industry bodies are firmly established, consumer groups currently have little say in EU-wide debates. The European Consumer Organisation (BEUC) takes part in discussions on energy-related issues, but there is a need to strengthen existing associations and to improve representation of national consumer bodies.

The Gas Target Model: a new framework for changing requirements

In 2011 CEER published its Gas Target Model, a vision for the internal market in natural gas developed in consultation with market participants. Since then, global and European gas markets have undergone fundamental changes, including the recent gas crisis resulting from a dispute between Ukraine and Russia, the shale gas boom in the US, and the increased demands placed on European gas-fired power plants due to their role as a back-up to erratic renewable electricity generation. Legal frameworks are also being transformed by the ongoing implementation of uniform

European rules in the shape of framework guidelines and network codes.

In response to these changes, ACER reviewed the Gas Target Model between autumn 2013 and autumn 2014 in close collaboration with representatives of the gas industry and gas consumers. The agency unveiled the draft model at the Madrid Forum in October 2014, and the final version was published in January 2015. E-Control played a leading part in the review.



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