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Vattenfall's response to the public consultation on the implementation of the Network Code Capacity Allocation Mechanisms (Regulation No 984/2013) - amendments of the current version of the Austrian Gas Market Model Ordinance

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Dear Sir or Madam,

Vattenfall welcomes the opportunity to provide our views on the implementation of European Network Code Capacity Allocation Mechanisms (NC CAM) in Austria and to the accompanied amendments of the existing national capacity rules of the Gas Market Model ordinance. As we have been involved in establishing the NC CAM at a European level, we are very interested in commenting on how the European regulation is implemented into national law.

A mismatch between unbundled booked and bundled available capacity at interconnection points as of 1st of November 2015 should be avoided

In its draft version of the aforementioned ordinance, E-Control refers to the methodology of bundled capacity calculation. According to the proposed section 4 of the draft Gas Market Model Ordinance the bundling rules of the NC CAM should also be applicable to the Austrian ordinance. Furthermore, E-Control stresses that according to section 4 para. 2 of the draft Gas Market Model Ordinance Transmission Systems Operators (TSOs) "may offer bundled or unbundled capacity with allocation restrictions at interconnection points [...] to maximise the offer of bundled capacity". In this context we would like to highlight the importance of inter-TSO communication and agreements in order to guarantee that both sides agree on the highest possible level of their technical available capacities.

Solutions to resolve the mismatch between booked unbundled capacity and available bundled capacity due to the implementation of NC CAM have recently been discussed between European Network of Transmission System Operators for Gas (ENTSOG), various National Regulatory Authorities, network users and the European Commission. It seems that all parties are keen to find a solution to this problem before 1st of November. In these talks, ENTSOG proposes three solutions to be introduced by the various European TSOs: 1. Capacity conversion

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concept; 2. Capacity conversion concept with maximisation of offered capacity and 3. Concept of leftover allocation. The advice and more information regarding these solutions have been published on the website of ENTSOG on 31st July. We would like to ask E-Control to give more insight to their preferred option and if the choice has also been discussed with the Austrian and the adjacent TSOs. We believe that transparency from the side of the TSO could provide an important step towards a solution, as clarity on booked/unbooked, bundled/unbundled information per Interconnection Point, combined with the secondary capacity market can encourage bundling and efficient use of capacity.

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Capacity set-aside rules should follow the trend towards short term capacity contracts

According to Art. 8 para. 7 NC CAM, TSOs are obliged to set-aside a certain percentage of their technical available capacity at each interconnection point for annual yearly and quarterly (short term) capacity products. As the European rules set minimum quota for short-term capacity products, national legislation can set higher percentages for capacity set-aside than laid down by the NC CAM. There is a trend towards more short-term capacity booking at all European Member States. Against this background we acknowledge E-Control's attempt to amend section 8 of the current Gas Market Model Ordinance in such a way to enable TSOs to adjust the level of capacity set-aside in a more flexible manner. The decision whether to adjust the level of capacity set-aside should be based on a system-user poll on the online capacity platform. This guarantees a flexible approach and the possibility to adjust to more short-term capacity demand by the market. We urge E-Control to make sure that the level of capacity set-aside is adjusted in a transparent manner, to conduct the proposed poll on a regular basis (e.g. every year) and to take all interested market parties into consideration when taking such a decision.

The Austrian daily balancing regime should be based on market prices and reflect the helper/causer system

In the draft Gas Market Model Ordinance E-Control also intends to delete the current cap of the structuring balancing charge in order to make the structuring charge more flexible. In order to ensure more flexibility we do not regard it as necessary to delete the cap of the structuring charge as this guarantees on one hand that the charges do not become too expensive and on the other hand mirrors the level of the structuring charge at other European countries, such as, in Germany. Hence, Vattenfall urges E-Control to maintain the cap of 0.4 cent/kWh applicable to the structuring charge according to section 26 para. 6 of the Gas Market Model Ordinance.

The European balancing approach is based on a daily balancing and a structuring component - as it is in place in Austria - does not support this approach. Furthermore, all imbalance fees / costs should be based on and related to market conditions / prices. Consequently, Vattenfall prefers that in Austria all

balancing volumes and capacities should be able to covered by transactions at the Austrian gas exchange.

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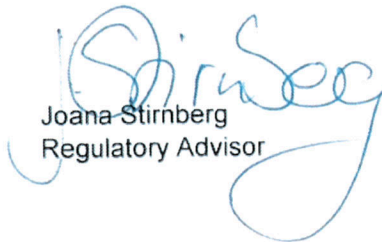
Additionally E-Control should consider to introduce a "causer/helper system" to the Austrian balancing regime. To our mind this is the most suitable solution to all market parties. On the one hand in case the system is long and a shipper is long as well (causer) the shipper has to be settled based on the applicable balancing rules. On the other hand in case the system is long and a shipper is short (helper) no financial settlement is to be introduced to the shipper. Hence, depending on the role of the shipper (i.e. "causer or helper") his balancing behaviour is reflected by the balancing system. We are highly in favour of introducing a balancing system similar to the Dutch or the Belgium system also in Austria. It is very transparent, predictable and beneficial/fair to TSOs and shippers at the same time.

We trust E-Control will take our comments into account when amending the currently applicable version of the Gas Market Model Ordinance in order to bring the national rules in line with the NC CAM.

If you have further questions please do not hesitate to contact us.

Best regards,

Vattenfall Energy Trading GmbH


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