

Cover page

Content:

The Ordinance regulates system access as well as balancing, clearing and settlement pursuant to section 41 *Gaswirtschaftsgesetz* (Natural Gas Act) 2011 and amends the *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012.

Alternatives:

none

Effects on Austria as a place for doing business:

Efficient and market-based mechanisms for capacity allocation in natural gas systems and the related rules for balancing, clearing and settlement promote a competitive, EU-wide integrated natural gas market and contribute to secure and cost-effective natural gas supply.

Financial effects:

No impact on the budget of the state or the federal provinces

Relationship to European Union legislation:

The rules implement the regulatory regime, reflected in the *Gaswirtschaftsgesetz* (Natural Gas Act) 2011, of Directive 2009/73/EC concerning common rules for the internal market in natural gas in consideration of Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks and Regulation (EU) No 984/2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems.

Particulars of the legislative process:

The Ordinance is issued pursuant to section 7 para. 1 *Energie-Control-Gesetz* (E-Control Act) by the Executive Board of E-Control. Pursuant to section 41 para. 1 *Gaswirtschaftsgesetz* (Natural Gas Act) 2011, a public consultation was held on the intended rules; in addition, pursuant to section 119 E-Control Act, the Ordinance was presented to the Regulatory Advisory Council.

Explanatory Notes on the 2016 amendment to the *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012

General comments

The *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012 prepared the legal ground for the successful introduction of a new gas market model in the eastern market area on 1 January 2013 and in the Tyrol and Vorarlberg market areas on 1 October 2013.

The present amendment contains additional provisions that are necessary for the operation, clearing and settlement of the cross-border interconnection points in the Vorarlberg market area and become relevant from 1 October 2016. Further changes include adjustments and clarifications relating to the neutrality charge, the characteristics and expansion of the merit order list, the handling, clearing and settlement of the special balance groups, and distribution of residual load by the clearing and settlement agent.

Commentary on sections

Section 2 para. 1 item 14a (new), section 27 para. 11 (new), and section 37 para. 10 (new):

The clearing rules previously applied by the clearing and settlement agent in the so-called “top-down procedure” resulted in the local player being treated differently. With the exception of the local player, the suppliers’ consumption was calculated by adding up the synthetic load profiles. The local player’s consumption was calculated as allocated entries (as per the aggregated exchanges between systems) minus linepack changes, losses, own consumption, metering errors and metered withdrawals. This meant that the local player had to bear the entire residual load.

The option for system operators to choose a clearing procedure is now abolished. Instead, in the interest of treating all suppliers equally, the amended Ordinance specifies that the clearing and settlement agent allocates the residual load in a non-discriminatory manner to all suppliers in the network area when it clears the network areas. In line with the general terms and conditions of the clearing and settlement agent, the distribution system operators must adapt the organisational arrangements for their special balance group, data collection and data submission.

The general terms and conditions of the clearing and settlement agent must be amended so that they contain all necessary changes and detailed rules well before these provisions enter into force.

Section 20 para. 6 (new), section 27 para. 9, section 30 para. 1, section 31 paras 1, 2, 7, 7a (new), 8 and 11, and section 39 para. 6 (new):

A new product group that can be offered through the merit order list is introduced: block offers with flexible lead times and prices set by the balancing energy provider. This should particularly enable load-metered consumers to participate in the merit order mechanism, offering up volumes from flexible supply contracts through their balance responsible party. The provisions apply for load-metered consumers that have agreed a contractual capacity of more than 10,000 kWh/h with their distribution system operator. Once some experience with the new product group has been gathered, adjusting the eligibility criteria for this kind of participation in the merit order mechanism could be considered. Load-metered consumers whose data are available online can now conclude agreements with their balance responsible parties which enable them to participate in the merit order mechanism though they are indirect balance group members. If it is announced in advance, metering points or consumers can also be pooled and make joint bids on the merit order list.

The expanded merit order list can now contain two types of products: standard hourly products with a lead time of 30 minutes (as before) and block products with flexible lead times (new). Apart from using different lead times and durations, providers of block products also have the possibility to exclude partial use of their bids by the distribution area manager. The new product category is meant to enable load-metered consumers to participate in market-oriented load management, thereby expanding the potential of market-oriented procurement of balancing energy in congested situations. All balancing energy providers should do dry runs of the mechanism in coordination with the clearing and settlement agent and the distribution area manager at least once a year.

Procurement of physical balancing energy by the distribution area manager must follow the order of balancing instruments laid down in Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks. It can only deviate from this order if there are no offers for

the applicable instrument or if it needs locational or short-term products to maintain operational security in the distribution area. The pre-defined order is as follows:

1. Priority: procurement of standard products from the gas exchange at the virtual trading point;
2. Priority: procurement of standard products from the MOL
3. Priority: procurement of block products from the MOL

The general terms and conditions of the clearing and settlement agent must be amended so that they contain all detailed rules for the new product group well before these provisions enter into force.

Regarding section 29 para. 5:

The distribution area manager, in coordination with the market area manager, offsets both the OBA accounts and the linepack accounts. The list of procurement instruments at the distribution area manager's disposal is deleted and replaced by a reference to section 27 para. 9.

Regarding section 32 para. 6 and section 44 para. 6:

In consideration of the accounts kept by the clearing and settlement agents, a possibility is introduced to reimburse any overhangs that have arisen as part of the clearing and settlement of imbalances by way of a neutrality charge applied to the energy amounts used by consumers in the daily balancing regime. When setting such a neutrality charge, the clearing and settlement agent must take into consideration forecast developments (particularly for imbalances and imbalance prices, and for cost and revenue from its activities as clearing and settlement agent) so as to avoid that the charge varies a lot. The forecasts form part of the settlement process for the neutrality charge, which is why the clearing and settlement agent must submit them to the regulatory authority, including an explanation, whenever the neutrality charge is changed.

Regarding section 35 paras 1 and 2, section 36 para. 3, section 37 paras 3 and 4, section 41 paras 1 and 11, section 43 paras 1, 3, 5 and 5, section 44 paras 1 and 2, section 45 paras 1 and 4:

The market rules in Liechtenstein have been changed. These changes necessitate certain adjustments concerning the organisational and operational handling of cross-border interconnection points in the neighbouring market area Vorarlberg. These same adjustments are also implemented for the Tyrol market area. Previously, the clearing and settlement agent and distribution area manager were responsible for keeping cooperation with the neighbouring market areas simple and straightforward and for concluding the requisite contracts with the adjacent system operators, with a view to supplying customers in the Tyrol and Vorarlberg market areas and to cross-border balancing. The amended Ordinance now additionally entrusts them with handling volume transactions at cross-border interconnection points booked by system users. For this purpose, the distribution area manager uses the needs of consumers in the Tyrol and Vorarlberg market areas and those of the system users at the relevant cross-border interconnection points (currently this mostly concerns the Ruggell cross-border interconnection point that connects Vorarlberg and Liechtenstein) to determine how much entry capacity from the adjacent upstream market area NetConnect Germany is needed.

Under the gas market model in place in the western market areas since 1 October 2013, the clearing and settlement agents whose system users have booked capacity at relevant cross-border interconnection points receive the entries from the virtual trading point in the NetConnect Germany market area into their own German balance groups and submit the corresponding schedules to the distribution area manager. System users do not currently have the technical possibility to physically deliver energy from the Tyrol and Vorarlberg market areas into the upstream market area NetConnect Germany. The market rules provide that the distribution area manager can nominate only exits with the system operators upstream of the Tyrol and Vorarlberg market areas. The balance responsible parties must take this into consideration when they draw up schedules.

When clearing, the clearing and settlement agent calculates the difference between the submitted cross-border schedules and the gas volumes allocated at these cross-border interconnection points for each hour.

The general terms and conditions of the clearing and settlement agent must be amended so that they contain all necessary changes well before these provisions enter into force.

Regarding section 37 para. 8:

The balance responsible parties must submit their schedules to the distribution area manager with a lead time of 150 minutes because the latter must itself respect a 120-minute lead time for handling volumes and transports in the adjacent market area.

Regarding point 3 of annex 2:

The OVGW rules have been revised and a new number assigned to the relevant set of rules.

Regarding point 4 of annex 2 (new):

Previously, there was no rule for the harmonised application of calorific values, which could lead to discriminatory treatment of system users. This practice is ended by defining when actual (metered or calculated) calorific values apply and when the calculated calorific value specified in the *Gas-Systemnutzungsentgelte-Verordnung* (Gas System Charges Ordinance) for system balancing and control applies.