

**REPORT ON THE SITUATION ON THE
AUSTRIAN FLEXIBILITY AND STORAGE MARKET 2022
EXECUTIVE SUMMARY AND CONCLUSIONS**
REPORTING PERIOD 2019–2021
PURSUANT TO SECTION 98(2) GAS ACT 2011

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IS RESPONSIBLE.**



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1 Legal basis

When the EU Gas Directive (Directive 2009/73/EC)¹ came into force and was transposed into Austrian law by way of the Gas Act 2011,² E-Control was tasked with regularly drawing up a report on the situation on the Austrian flexibility and storage market (section 98(2) Gas Act 2011). Based on this report, the Federal Minister for Climate Action, Environment, Energy, Mobility, Innovation and Technology may decree by ordinance that the current, negotiated storage access regime be transformed into a regulated storage access regime (section 98(1) Gas Act 2011). Section 98(3) Gas Act 2011 requires E-Control to draw up such a report at least every three years. We thus re-evaluate the relevant parameters for the reporting period from 1 January 2019 to 31 December 2021: pursuant to section 98(2) Gas Act 2011, E-Control must assess the level of competition on the storage market by referencing price comparisons, the range of products on offer and their use, the market concentration (supply and demand side) with consideration of the availability of alternative sources of flexibility, and the availability of storage capacity compared to demand for it.

The storage market and players on this market are subject to a series of additional rules and regulations. For example, the transparency provisions for storage system operators pursuant to Article 19 Regulation (EC) No 715/2009³ have applied since 3 March 2011. The Gas Monitoring Ordinance 2017⁴ also covers storage and obligates storage system operators to submit their data. They must also send us all their storage service contracts right after they are concluded and must give any necessary explanations (section 101 Gas Act 2011) and they must publish the general terms and conditions for use of their facilities and the storage charges once a year and each time they are changed (section 105(1)(3) Gas Act 2011).

In line with section 98(2) Gas Act 2011, the storage system operators were consulted and had a chance to comment on the present report from 29 June 2022 to 8 July 2022. The comments received during this procedure are reflected in this final version of the report.

The report covers the reporting period from 1 January 2019 to 31 December 2021.

In the present document, we provide an English-language executive summary and conclusions.

¹ Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, OJ L 211/94, 14.8.2009.

² *Gaswirtschaftsgesetz* (Gas Act) 2011, FLG I no 107/2011, as amended by FLG I 94/2022.

³ Regulation (EC) 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks, OJ L 2011/36, 14.8.2009.

⁴ *Gas-Monitoring-Verordnung* (Gas Monitoring Ordinance) 2017, FLG II no 418/2016.

2 Executive summary

Storage capacity corresponds to annual consumption

In December 2021, Austria had a working gas volume (WGV) of 95.5 TWh, which is very close to the average annual gas consumption in Austria (96.3 TWh). During the reporting period, storage capacity was marketed in transparent auctions or bilaterally.

OMV Gas Storage held most storage capacity

OMV Gas Storage (OGS) continued as the largest holder of storage capacity, both in terms of storage in Austria (95.5 TWh, of which OGS held about 26.5% or 25.3 TWh) and in terms of the storage facilities connected to the eastern market area (62.8 TWh, of which OGS held about 40.2%).

Increasing product range and flexibility

Storage customers and storage system operators alike benefitted from a wide range of products on offer and an increasingly dynamic storage market featuring seasonal and more short-term flexibility products. This development meant customers could better satisfy their needs and operators could better market their capacity.

Number of storage customers doubled

At the end of 2021, there were 74 storage customers on the Austrian market. They are suppliers of final customers in Austria (households, SMEs, industry) or are international wholesalers registered at the virtual trading point.

Storage facilities almost fully booked but only partially used

In 2021, storage facilities were fully booked almost all of the time, but storage customers did not fully use their booked capacity. This was particularly salient in the case of storage facilities with Gazprom involvement, which are being held for strategic use by associated Gazprom companies in Austria and all throughout Europe: in November 2021, fill levels at these facilities were way below other storage facilities in Austria (Haidach facility: GSA 2% and astora 56%).

Wide variations in summer-winter spreads

Summer-winter spreads are decisive for the bid prices in storage capacity auctions, i.e. they have a direct bearing on the storage system operators' revenues. The spreads observed in Q1 2020 were between 3.50 EUR/MWh and 4.10 EUR/MWh, but by Q1 2021, they had narrowed to between 0.50 EUR/MWh and 1.50 EUR/MWh.

9-fold gas price increase impacted storage behaviour

Day-ahead prices at the Central European Gas Hub (CEGH) stood at about 20 EUR/MWh at the beginning of 2021. After a soft upwards trend, October 2021 saw price spikes of almost 120 EUR/MWh. In December 2021, gas prices broke the 180 EUR/MWh threshold. This development strongly impacted storage injections and withdrawals: in spite of the low or even negative summer-winter spreads in July and August 2021, suppliers filled storages to ensure security of supply. From September 2021, as summer-winter spreads started to climb, injections picked up speed as well.

Published prices for standard bundles increased by about 1.6%

Prices for standard bundles had risen by 1.6% on average across all storage system operators in 2021 as compared to 2018 (2018: 6.23 EUR/MWh WGV; 2021: 6.33 EUR/MWh WGV). They stood between 5 EUR/MWh WGV and almost 7 EUR/MWh WGV in 2021. These products were only rarely requested from storage system operators that marketed their capacity via auctions. RAG Energy Storage (RES) was the only company to market capacity bilaterally; their published prices are valid for the products indicated and function as reference prices for individually negotiated products.

Most storage capacity marketed via auctions

Most storage capacity was marketed via auctions. OMV Gas Storage GmbH and astora used platforms for their auctions, Uniper and GSA conducted their auctions through their own websites. RES continued to be the only storage system operator to market their capacity purely bilaterally.

Auction results were not more than 20% above EU average

During the reporting period, none of the Austrian storage system operators produced auction results that were more than 20% above the average for comparable services in other selected EU member states (Denmark, Czech Republic, France, Netherlands). Thus, there is no need for E-Control to cost audit the companies.

Summary: a competitive storage and flexibility market

The behaviour of companies associated with Gazprom was primarily important for the gas wholesale market; only in a secondary instance, it impacted the storage market. Data and analyses for the reporting period show a functioning, competitive storage and flexibility market. It is adequate to keep negotiated storage access.

Next revision of the report

The current report refers to the period between 1 January 2019 and 31 December 2021 (editorial deadline: 31 March 2022). The situation will be reviewed for the 1 January 2022 to 31 December 2024 period and a relating report will be published in 2025.

3 Conclusions – assessment of competition on the storage market

Competition evolved during the reporting period, marked by the development of new products to address customer needs and market-based pricing through auctions. Sufficient storage capacity and alternative sources of flexibility were available. The behaviour of companies associated with Gazprom was primarily important for the gas wholesale market; only in a secondary instance, it impacted the storage market. The analysis of the statutory parameters thus indicates that competition is working well. E-Control does not see a need to introduce regulated storage access (cf. section 98(2) Gas Act 2011).

Storage system operators benefitted from increasing prices during the reporting period, but also had to deal with reduced revenues due to narrow summer-winter spreads.

Auctions were used to market short-term products, i.e. the auction results dynamically reflect both market situation and customer expectations. As more and more long-term storage contracts expire and new contracts will likely be concluded at lower prices, the economic pressure on storage system operators will likely increase. Any more detailed appreciation of their rentability – now or towards the end of the decade – would need to be built on the companies' costs, and submission of cost data to the regulator is not foreseen within our negotiated access regime.

The reporting period saw a wide range of external factors impacting the Austrian storage market:

- There were the transit negotiations between Russia and Ukraine; these led to fill levels of almost 100% at the end of 2019. And there were the Covid pandemic and its consequences for worldwide gas and LNG demand.
- Then there was Gazprom's storage behaviour that led to low fill levels at the beginning of the heating season 2021/2022 and rising gas prices in 2021. The Russian invasion of Ukraine in Q1/2022 led all of Europe to revise its energy policy.

EU-level discussions about a possible gas embargo and, at the same time, Austrian concerns about a halt to Russian gas supplies impacted both security of supply and the offer on the flexibility market. This indicates that, even against the background of diversification of both gas procurement and energy sources in general, storage will continue to be a main provider of flexibility in Austria.

Gazprom's storage behaviour has triggered a debate around additional measures to increase fill levels and security of supply; these include a use-it-or-lose-it mechanism, a suspension of system utilisation charges for injections into storage, and the introduction of a market maker for the benefit of system stability.

Future analyses will also have to address the different ways of using storage and their contribution to reaching the decarbonisation goals.

Though decisions about whether to close a facility or not lie with the individual storage system operators, they have wider impacts in terms of the system value and security of supply now and in future.

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