

Feedback by Central European Gas Hub AG (CEGH) on the Consultation on the integration of gas markets of Czech Republic and Austria

I. General remarks

CEGH welcomes the possibility to provide feedback on the consultation on the integration of the gas markets of Czech Republic and Austria and has the following general remarks:

- Against the background of the updated Gas Target Model (GTM 2), measures to improve the framework conditions for traded gas markets in the CEE region are welcomed. In particular the preliminary evaluations done in the course of the development of the GTM 2 have shown that it is important to increase the level of gas market integration in the region.
- For the further development, Austrian and CEE gas markets require appropriate connectivity to neighboring markets to enhance cross border gas trading and also security of supply.
- CEGH is supporting the concept of a trading region comprising of Austria and its neighboring countries (CEE region), whereby the instruments / tools for implementation of a trading region have to be carefully selected to be suitable to foster the stability and liquidity of traded gas markets and hubs.
- The Austrian Virtual Trading Point (VTP) that is operated by CEGH, with its recognized liquidity, is a trading location that can facilitate the further development of the envisaged trading region, provided that framework conditions, (inter)connections and capacity products are meeting the requirements of gas market participants.

II. Specific inputs

Please refer to item I and III.

III. Summarizing questions

How would you evaluate the proposed model for Austrian-Czech gas market integration overall?

- The integration of the Austrian and Czech gas market via the proposed capacity booking mechanism could be an important and innovative first step to open up and connect the Austrian and the Czech gas market. The concept of TRU capacity booking could lead to a better understanding of the requirements of shippers and traders in this region, without having to invest upfront in physical infrastructure. Furthermore the TRU project could help to gather practical experience in establishing a closer market based cooperation. This will enhance the cooperation between TSOs on an operational level and also between the regulators regarding the applicable framework conditions.
- In the event of realization of the TRU project, stakeholders and market participants would be in a position to quickly benefit from a market integration tool that could be

swiftly implemented. Such implementation could be done at comparably low costs ahead of the construction of a pipeline that would require longer lead time and additional steps.

- Additionally, the information collected from this project will also help to better understand the requirements / market demands associated with the construction and operation of a physical connection via pipeline. The project will accordingly contribute to an improved understanding and also possible efficiency gains.

How would you evaluate the proposed services/product for Austrian-Czech gas market integration overall?

- The indicated product range and capability of the TRU upgrade for existing capacity products will enhance gas trading options and provide shippers and traders with access to a larger and more integrated gas market area.
- The implementation of the TRU project could also lead to a narrowing of the gas price differential between Austria and Czech Republic on a lasting basis, which could result in the development of a more leveled gas pricing in this region.
- In order for the TRU upgrade to be a viable instrument that is used by shippers and an effective advantage, it will be necessary that the process of booking the TRU option is simple and takes into account the current processes at the PRISMA platform and other relevant market requirements (lead time for booking / day ahead gate closure time for shift of entry points etc.).
- Further decisive aspect for the success of the TRU Project will be the cost of the offered products. Project stakeholders should aim for a transparent pricing of individual products subject to the applicable regulatory and tariff framework conditions.

Do you share the evaluation of the costs and benefits of an Austrian-Czech gas market integration provided in this document in relation to the development of the gas markets of the Czech Republic / Austria?

- Possible market integration between Austria and Czech Republic was subject of the Trading Region project that was supported by CEGH. The TRU project features important aspects of the trading region project.
- The TRU project will in our view contribute towards the positive development and further regional gas market integration. Possibly it could serve also as a role model for a new concept of capacity products that could lead towards a more integrated gas market on an even bigger geographical scale.

Do you have additional comments or suggestions for enhancement related to the Austrian-Czech gas market integration which you would like to share?

- The TRU project is a first step for a merging of the gas markets but a full integration will require an appropriate pipeline connection between the market areas.

Would you be interested in participating in a dedicated Stakeholder event on the Trading Region Upgrade?

- CEGH would be interested in participating in a dedicated stakeholder event regarding the TRU project. In particular the impact on gas trading and Virtual Trading Points (VTPs) should also be in scope of the project and be subject to an assessment.
