

eustream, a.s.
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821 09 Bratislava

Energie – Control Austria
Rudolfspaltz 13a
1010 Vienna
Austria

Your ref./Dated
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Our ref.
o o o o o

Contact
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Date
10th February 2017

Comments on the proposal of new relevant points

Dear Madam or Sir,

please find in the enclosure of this letter comments of the company eustream, a.s., with its registered seat: Votrubova 11/A, 821 09 Bratislava, Slovak Republic, on the proposal of new relevant points which was put into the consultation by Energie - Control Austria. We are fully available for more details and any further discussion on this consultation regarding of new relevant points.

Best regards,

eustream, a.s.

Enclosures

Comments of eustream, a.s., on the proposal of new relevant points

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1. New relevant Entry/ Exit point Reintal – we propose to reject these points (entry point Reintal and exit point Reintal) as new relevant points for following reasons:

- a) Both planned projects in the area, i. e. Bidirectional Austrian – Czech interconnection (known as BACI) between Baumgarten (AT) – Reinthal (CZ/ AT) – Brezlav (CZ) and Baumgarten Brezlav Interconnector (known as BBI) are at very immature stage of the development without any final investment decision.
- b) It is clear that both projects BACI and BBI are redundant and inefficient projects from the market point of view. It leads only to uneconomic and inefficient duplication of existing transmission system due to the existence of the massive parallel bidirectional infrastructure between the Czech Republic and Austria, which runs via the Slovak territory and provides sufficient available capacity. That is why the realization of the BACI/BBI projects seems to be redundant.
- c) Both projects are aimed to replace existing infrastructure and this is in contradiction with the Regulation (EU) 984/2013, point (2). As such, the projects constitute an ineffective investment and, among other, contradict the European Union law.
- d) The Project BACI/BBI are not in line with the ACER position relating to the Energy Infrastructure Package based on the document "Position of the Agency for the Cooperation of Energy Regulators on improving the efficiency of the European framework for energy infrastructure development" dated on 22nd June 2016. ACER says that "*smarter solutions, exploiting the existing networks, are not always given the opportunity to be considered and to compete with larger new projects. If there are credible, smarter and cheaper alternatives to addressing the identified needs compared to a project in the TYNDP, then Regional Groups should transparently consider whether it is right to grant such alternative projects the PCI status (page 9)*" and that "*the EIP could and should play a stronger role in facilitating the identification of the most efficient projects and in providing opportunities for finding innovative alternative solutions (including the better use of the existing network) (page 9).*" These statements of ACER represent a clear call for better utilization of existing gas infrastructure and avoiding realization of new redundant projects.
- e) The projects realization will not increase social welfare in the region as they just represent the redirection of existing flows via the IP Lanžhot at Czech – Slovak border and Baumgarten at Austrian – Slovak border.
- f) The projects are not able to bring a benefit of higher utilization of the Austrian transmission network. No benefits are expected in parameters such as security of supply, diversification of energy sources, decrease of commodity price by the project implementation. Because of these reasons, the projects BACI/BBI are not able to achieve any positive externalities and thus their overall benefits are not able to outweigh their costs.
- g) The projects implementation will need crossing of the protected areas Natura 2000, which will have long-term negative impact from the environmental point of view.
- h) The projects BACI/BBI will decrease the security of supply at least in one of the countries of the Energy Community region by redirecting existing gas flow (Ukraine) and dramatically harm interests and economy of two countries (both Slovakia and Ukraine).
- i) In May 2015 both project promoters Gas Connect Austria GmbH and Net4Gas, s.r.o., organized market research in order to receive feedback from market participants whether a

new incremental capacity should be offered at a new interconnection point or via market integration by means of existing infrastructure. This non-binding market survey shows only limited interest of the potential shippers willing to book the capacity (AT->CZ 154,794 Nm³/h and CZ->AT 82,027 Nm³/h at 0°C). It seems that the market integration by means of existing infrastructure is at this moment the preferred model for market participants.

- j) None of the projects will increase diversification of gas sources at all. One of the aims of the projects is to connect directly the Central European Gas Hub (CEGH) to the Czech market. On CEGH, gas delivered from either Germany or Slovakia is traded. In addition, the implementation of the either of the projects would have hardly any impact on the price for the end consumers as price is derived and created in liquid hubs located in Germany and available price data for gas traded in all three countries (Germany, Austria, and Czech Republic) from last year's confirms almost 100% correlation with minimal price spread between hubs.
- k) We are convinced that the project BACI does not fulfil any specific criteria for the PCI projects, foreseen by Article 4 of the Regulation (EU) 347/2013.