

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

Union legislation framework:

The rules implement the regulatory regime, reflected in the 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 Commission Regulation (EU) 2017/459 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems.

Special features of the legislative procedure:

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 Natural Gas Act 2011, a public consultation is held on the intended rules; in addition, pursuant to section 19 E-Control Act, the Ordinance is presented to the Regulatory Advisory Council.

Explanatory notes

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 introduces rules on implicit capacity auctions at transmission and distribution level as well as provisions on how to handle virtual interconnection points. Also, the daily balancing regime is extended to all consumers except large consumers (with a contracted capacity above 50,000 kWh/h), and distribution system operators are asked to send preliminary meter readings from consumer facilities with load meters to the suppliers and the distribution area manager each hour.

Commentary on sections

Section 8

Article 19(9) Regulation (EU) 2017/459 (CAM Network Code) mandates that virtual interconnection points be established where the following conditions are met:

(a) the total technical capacity at the virtual interconnection points shall be equal to or higher than the sum of the technical capacities at each of the interconnection points contributing to the virtual interconnection points;

(b) they facilitate the economic and efficient use of the system including but not limited to rules set out in Article 16 of Regulation (EC) No 715/2009.

The CAM Network Code obliges the transmission system operators concerned to offer available capacities at the (physical) cross-border interconnection points at one virtual interconnection point (Article 19(9)). It does not mandate that existing contracts be transformed into contracts at virtual interconnection points; however, such transformation should be possible to enable system users to maximise economic and efficient system use. Should the system user wish so, existing contracts can be transferred to the corresponding virtual interconnection point for the rest of the contract term. In addition, the transmission system operators enable capacity conversion across different operators' systems at the virtual interconnection points.

Congestion management procedures under section 11 para. 9 (use it or lose it for firm day-ahead capacity) and section 12 para. 2 (use it or lose it for long-term capacity) that aim to maximise available capacity are applied across physical cross-border interconnection points and the virtual interconnection point. It would not make sense to withdraw capacity from a physical cross-border interconnection point just to make it available at the virtual interconnection point at the same time. Auctions for interruptible capacity and interruptible capacity under Articles 29 and 30 CAM Network Code are held for the virtual interconnection point exclusively. However, if contracted capacity is surrendered pursuant to point 9 of the general terms and conditions for transmission network access, this surrender takes place at the physical cross-border interconnection point (unless the network user has previously transferred the capacity contract to the virtual interconnection point).

Before they implement virtual interconnection points, system operators shall consult the market participants and notify the regulatory authority. This enables the regulatory authority to verify whether the conditions for establishing virtual interconnection points from the CAM Network Code are met. When assessing whether the virtual interconnection point facilitates the economic and efficient use of the system for users, the results of the relating consultation will be taken into account. The proposal for the Baumgarten VIP is submitted to consultation at the same time as the present draft Ordinance; it provides details about the concept developed by the transmission system operators.

Section 15 para. 3 last sentence

Article 2(5) CAM Network Code provides that implicit capacity allocation methods can be applied. Implicit allocation methods are allocation methods where transmission capacity and a corresponding quantity of gas are allocated together. The CAM Network Code requires upfront regulatory approval of implicit allocation

methods. The present amendment to the Gas Market Model Ordinance now clarifies that implicit capacity allocation methods can also be applied at distribution-level cross-border interconnection points.

Section 18 para. 2

The amendment introduces rules for balancing and clearing of entries and exits at market area borders that were not previously addressed. It contributes to regulatory clarity.

Section 18 para. 6 and section 37 para. 6

From 1 October 2018, all consumers except for large consumers (with contracted capacities above 50,000 kWh/h) will be balanced and cleared on a daily basis. This extends both to consumers with standard load profiles and to consumers with load meters. Only consumers with higher contracted capacities will stay in the hourly balancing regime. Experience gathered since the new market model was introduced on 1 January 2013 and calculations made on the basis of this experience confirm that this expansion of the daily balancing regime does not constitute a threat to system stability. For explanations concerning the frequency of consumption data submission, please consider the explanatory notes on section 25(8)(3a).

Section 18 paras 7, 7a and 8, section 25 para. 4 item 4, section 25 para. 6 item 5, section 27 para. 3, section 31 para. 1, section 32 para. 3, section 37 paras 7 and 8, section 41 paras 2, 3 and 7, and section 44 para. 3

Given the expansion of the daily balancing regime to all consumers except for large consumers, system users with contracted capacities between 10,000 kWh/h and 50,000 kWh/h can no longer opt between daily and hourly balancing. The relating rules in section 18 para. 7 and all references to them are therefore deleted. The provision in section 18 para. 7a about the provision of online meter readings is moved to section 30 para. 1.

Section 24 para. 2

The amendment clarifies that the distribution area manager can establish a dedicated balance group that takes care of the plans of action under section 25 Natural Gas Act 2011, emergency supply to adjacent system operators and other operational transports. This balance group may not be used for any other purposes and its activities must be notified to the regulatory authority upfront. Existing special balance groups do not have to be notified.

Instead of a comprehensive list of all contracts needed for such special balance groups with distribution system operators, transmission system operators, clearing and settlement agents and the distribution area manager, the amendment contains a general reference to the contracts needed for the tasks and duties of balance responsible parties under section 91 para. 1 item 1 Natural Gas Act 2011.

Section 25 para. 7 item 5

The market area manager needs near real time information about throughput and pressure at all market area cross-border interconnection points to be able to evaluate congestions as part of coordinated crisis management.

Section 25 para. 8 item 3a:

A proposal to intensify submission of load metered consumption data by distribution system operators was already consulted with the draft for the 2017 amendment of the Gas Market Model Ordinance. The responses received about this point led to it being put aside for the time being. Extensive information collection and coordination with system operators and market participants have now resulted in the following approach: from 1 October 2018 onwards, distribution system operators will each hour submit preliminary readings for the previous hour for metering points with load meters and with contracted capacities between 10,000 kWh/h and 50,000 kWh/h. They will send this information to the distribution area manager, indicating also the relevant supplier, and they will send it to the supplier also. This will enable the suppliers and balance responsible parties of load metered consumers to react to any within day consumption swings as part of the daily balancing regime under section 18 para. 6 and section 37 para. 6. If a consumer wishes so, s/he will also receive the readings. This additional information flow is also reflected in chapter 2 of the gas market code (item 85a).

Section 47 para. 13

Following an adequate transitory period, the revised rules on daily balancing and all related changes, including the amendment of chapter 2 of the gas market code, will enter into force on 1 October 2018. All other changes from the present amendment will enter into force on 1 May 2018.

Point 2 of annex 2

An additional sentence clarifies the rule for the calorific value that applies for biogenic gas entries. This should roughly correspond to the invoiced calorific value so as to avoid that consumers that live close to biogas stations are treated unfairly, and to eliminate the need for additional calorific value metering equipment whose costs would have to be recovered through the system charges. If a different calorific value were to be used for biogas entries, factors such as the seasonal swings in local grids could lead to actual calorific values at consumer facilities differing from the invoiced calorific value by up to 5%.

Point 3 of annex 2

An additional sentence clarifies how often functionality checks of metering equipment for calorific values need to be conducted. Such equipment (gas-phase chromatographs) is not currently subject to calibration rules in Austria; therefore, the amendment introduces an obligation to regularly verify that they function properly. Any malfunction of such equipment can considerably impact how much users pay for energy and the system charges. Annual checks conducted by an independent body (e.g. the manufacturer or TÜV) ensure that all contractual parties, market players and authorities can rely on the equipment working properly.