

Description of the new market model for the market areas Tyrol and Vorarlberg

1. Legal basis

Austrian legislation specifies that the operational coordination of systems or parts thereof in a market area which fully relies on supplies from a neighbouring member state and for which no separate balancing energy market exists with the adjoining system operator of that neighbouring member state shall enable partial or full supply from the adjoining market area of the member state. Where this is conducive to attaining the European internal energy market, systems or parts thereof may form a market area with the systems of adjoining system operators in other member states.

The gas market model “Cross-border Operating Strongly Integrated Market Area” (COSIMA) has been designed to enable a stronger link between the Tyrol and Vorarlberg market areas, located in Austria, and the market area Net Connect Germany (NCG) in accordance with these stipulations. The COSIMA model is legally enshrined in the *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012 of E-Control Austria and will go live on 1 October 2013.

2. Basic treats and features

For suppliers, COSIMA means unobstructed links between the Austrian market areas of Tyrol and Vorarlberg and the German NCG market area. This is obtained by eliminating the need for suppliers to book cross-border capacity: any and all capacity that is needed to supply consumers in Tyrol and Vorarlberg is booked by the Austrian distribution area manager (DAM). It is not necessary to allocate the capacity to individual balance groups in Germany and Austria. In cases where gas is to be transited through Vorarlberg into Liechtenstein or Grisons, the responsibility to book exit capacity with the system operator terranets bw remains with suppliers.

COSIMA has been designed to be operational without causing the need for excessive changes to the neighbouring market areas' existing rules. This has been largely achieved by charging the DAM of the Tyrol and Vorarlberg market areas with the role of “designated system operator / translator” between the regulatory frameworks of the market areas involved.

For market players, acting within COSIMA simply means that they have to have corresponding balance groups in the relevant market areas, either by designating existing balance groups or by establishing new ones. The Austrian market model requires all balance groups in Tyrol and Vorarlberg to have one corresponding balance group in the NCG market area each, to enable gas handover. To become active as balance group representative in Austria and Germany starting on 1 October 2013, the registration process with A&B

(<http://www.aundb.at/de/registrierung/bilanzgruppenverantwortlicher>) and NetConnect Germany (<http://www.net-connect-germany.de>) must be kicked off well ahead.

3. Shipper communication

Gas is transported to Tyrol and Vorarlberg by way of nominations at the virtual trading point in the NCG market area (NGC VTP). The DAM receives the gas at the NCG VTP and organises shipping into the two Austrian market areas. Sticking to the “allocated as nominated” principle, gas that is handed over at the NCG VTP is considered to have been delivered into the respective downstream market area. Apart from this, German balance groups can handle transports into Tyrol and Vorarlberg in the same way as any other transports.

Gas received from the German balance groups at the NCG VTP is allocated to the corresponding Austrian groups. The latter's consumer schedules (or schedules for other kinds of injection and withdrawal in the Austrian market areas) are netted and compared to the gas volumes handed over by the corresponding German balance groups at the NCG VTP. In accordance with the Austrian market rules, the rules for financial settlement of balancing energy apply to these gas volumes. The financial flows are handled by the clearing and settlement agent.

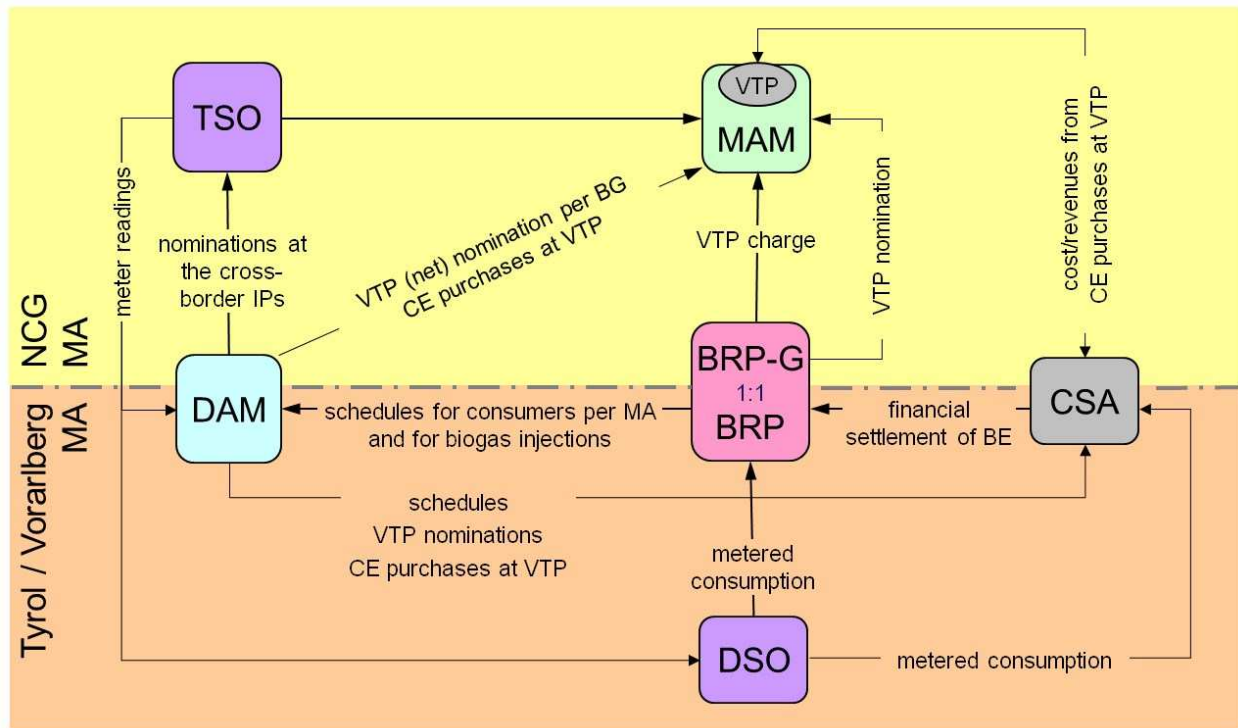


Figure 1: Communication under COSIMA, using supply to consumers in Tyrol and Vorarlberg as an example

BE ... balancing energy, CSA ... clearing and settlement agent, BRP ... balance responsible party,
 BRP-G ... balance responsible party in Germany, MA ... market area, MAM... market area manager, CE ... control energy,
 TSO ... transmission system operator, DAM... distribution area manager, VTP... virtual trading point, DSO... distribution system operator