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Paris, 23rd of March 2018

Subject: answer to consultation  
Not confidential.

Dear Sir or Madam,  
Please find here below our position regarding the documents published for consultation.

Changes in the Gas System Charges Ordinance

Regarding the changes to the Gas System Charges Ordinance, and in particular Mosonmagyaróvár incremental auction. We wish to highlight that the current design of the auction may trigger several difficulties related to the minimum reserve price and the step out clauses.

1) Matters related to the minimum reserve price

- The minimum reserve price of 1,4 €/MWh is set on the basis of a low booking level of only 30%. This low level of anticipated bookings artificially increases this minimum reserve price, potentially preventing some players with a lower willingness to pay to contribute to the auction. If these players are prevented from bidding in this auction, this may trigger cancellation of project to source the corresponding gas, and finally result in a lost opportunity to integrate further CEE markets. This would be all the more damageable since the reserve price may be lowered ex-post if the volumes booked are higher than 30%.
- The whole process is creating a lot of uncertainty and may prevent the optimal disclosure of the willingness to pay of different actors. Indeed, shippers will have to bid in an auction where the minimum reserve price may be lowered ex-post in a way that is difficult to forecast.

ENGIE understands that E-Control is searching to maximize the chances of having this new capacity built in the interest of the Austrian market, but other schemes can also serve the same goal while ensuring a more transparent, competitive and efficient process.

In particular, several and parallel competing auctions with different minimum reserve prices, but the same technical capacity offered, could be more efficient : the first auction with a low premium corresponding e.g. with an 80% booking expectation, the second with a 60% booking expectation, and the third with a 30% booking expectation. This would be an efficient way to apply the range of mandatory minimum premium exposed in Article 33(4) of Regulation (EU) 2017/460 :

- It would still avoid the risk of a failure of the process even if there is only demand for a limited volume of capacity, but with a high willingness to pay.

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- It would give more certainty for shippers that will have all parameters clearly set in their different bids.
- It would allow a maximization of volumes sold in the auctions, and a minimization of premium prices, thus maximizing the benefits for the Austrian market.

## 2) Matters related to the step-back clauses

As written in our preceding position, the step-back clause should be linked to a specific situation in Csanadpalota.

Too general step-back clauses, that would allow a shipper to game the auction should be avoided.

If one or several shippers use the step-back clause, the economical test should be run again, if it then fails, the incremental auction process should be run again. If this new incremental auction process fails, there should be no impact on existing TSO tariff.

### VIP implementation

Regarding the VIP implementation, ENGIE is happy to see that E-Control's proposal reflects the spirit of the code and that the following aspects have been proposed:

- possibility to can keep historical capacities in PIP, and option for the shipper to translate them into VIP
- equal VIP and PIP rates
- capacity conversion remains

Nevertheless we wish to highlight that the choice between two TSOs complexifies the VIP booking process.

We also wish to indicate that an automatization of the capacity conversion service under PRISMA platform would be appreciated; as well as the possibility of benefiting of this service on daily basis, as is already offered in some other European countries.

### Gas Market Code messaging

The promotion of the use of Edig@s is a plus as it will allow to have a unique consistent format even though we may not be concerned by all the messages received.

Thank you for taking our remarks into account and we remain at your disposal for any further discussions.

Yours truly,



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