Dear Mrs Seidl, dear Mr Hansy,

Please find below the opinion of ENGIE on the proposal of new calculation method of the Balancing Incentive mark up, in response to the consultation organized by Gas Connect Austria in August 2015 :

We understand that those changes have been proposed to discourage shippers who were using the Austrian network as a mean of intraday flexibility for downstream networks with stricter rules, especially in situation when the network is short.
We appreciate the fact that the draft proposes that only “shortfall causers” (that is shippers that are short when the system is short) will be penalized, as this mechanism more closely matches the risks of Gas Connect Austria.

However, ENGIE believes that the new incentive (10 €/MWh for short shippers when the market is short, above a threshold of 300 MWh/day of cumulated hourly imbalances) is excessive. The fact that this amount corresponds to the costs borne by Gas Connect Austria in case of such hourly imbalances is hardly understandable and still has to be demonstrated. In any case it does not correspond to any such incentives observed in comparable networks in the European Union where within day obligations apply.
Also, such a high incentive is not coherent with Article 26, 2. c) of the Balancing Network Code : “*the main costs to be incurred by the network users in relation to their balancing obligations shall relate to their position at the end of the gas day*;”. With a 10 €/MWh incentive, which is almost half the price of the gas itself, within-day charges will very easily exceed, or at least be comparable to, balancing costs for daily imbalances.

Furthermore, the very low threshold (300 MWh/day only) is discriminating as it is not linked to the capacity portfolio of the shippers, and as a consequence overprotects shippers having small use of the network whereas it imposes a great risk on shipper having bigger use of the network, such as ENGIE.
Without any data regarding the level of linepack which can be used to deal with intra-day flexibility, it is again hardly understandable that such a low imbalance would cause a risk for the integrity of to the Austrian network, even when considering that multiple shippers can have an imbalance at the same time. Such fact should also be demonstrated by Gas Connect Austria.
Moreover we kindly ask Gas Connect Austria to look at how such TSOs as GTS and Fluxys define “green zone” linepack thresholds where if the total hourly imbalance of all network users stay within this limit, no within day penalties apply
As such, with flows on border points routinely over 1 GWh/hour, ENGIE would be significantly penalized by even small operational problems (such as a mismatch) that would have caused a few hours of imbalance, when on the other hand it greatly contributes to stabilizing the Austrian network (with high and flat flows).

ENGIE thus proposes the following corrections to the draft :

- The 10 €/MWh incentive should be reduced to more acceptable levels (under but not higher than 5 €/MWh) and if not possible should only be imposed to the shippers having deliberately endangered system integrity.
- The 300 MWh/day threshold should be significantly increased and justified, up to levels where there are actual risks for the Austrian network, or at least be calculated in proportion to the flows nominated by each shipper (a threshold of 5 percent of individual entry flows with a certain minimum level to protect small users or new entrants, for example).

Finally, it is not clear how the neutrality principles (see Chapter VII of Balancing Network Code) will be applied in Austria as of 1st of October 2015. ENGIE asks E-Control (Mr Farmer is in copy of this mail) and/or the Market Area Manager to present in details what are or will be the mechanism implemented to redistribute the net value of balancing operations to the shippers (as explained in §2 of Article 29 of the Balancing Network Code) and what will be the level of details published concerning the different balancing redevances. Engie would also appreciate a meeting held in Vienna in the next weeks to clarify this topic.

We remain at your disposition should you have any questions related to this matter,

Best regards,

Thomas CHEREAU
Energy Management Trading
Capacity Portfolio Manager

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Dear E-Control,

Please find below ENGIE response to the consultation organized on the proposed amendment of the Gas Market Model Ordinance :

- About amendment of the section 4 : In the case where a 100% owned subsidiary is active on one side of the border, it should be possible for its mother company to buy a bundled product, then to allocate only the Austrian part of the capacity to its subsidiary without this being considered as a secondary market trade. This is a common position within EFET. The implementation of the 'bundling provision' of the CAM NC will also have important implications for market participants who have different legal entities registered (holding different licenses) at the two sides of an IP. In these cases market participants would have to obtain new licenses to be able to book cross-border capacity. This is clearly against the spirit of the CAM NC and EU internal market policy, as it would amount to a barrier to cross-border trade.

- About amendment on the section 26 : please refer to the mail sent to the Market Area Manager Gas Connect Austria, which I include in copy of this mail for your convenience.

Best regards,

Thomas CHEREAU
Energy Management Trading
Capacity Portfolio Manager

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