



Consultation on the integration of gas markets CZ and AT

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Dear Sirs,

Please find below ENGIE's answer to the Consultation on the integration of gas markets of Czech Republic and Austria.

### **I General remarks :**

ENGIE is supporting market integration and the fostering of liquidity in European markets, and as such ENGIE is appreciating any proposal to connect European markets with innovative products.

However, given the lack of precise information about the Trading Region Upgrade (TRU) (the actions taken by the TSOs to provide it, its cost and the impacts it might have on the market), ENGIE cannot have a definitive opinion on this project and proposes a second consultation to be organized later, with more detailed information.

### **II Specific inputs :**

- On TRU idea (point D, page 6) : our understanding of the added value of the TRU (compared to the current situation where each shipper wanting to go from one market to another buys the capacity themselves) is that GCA and Net4Gas will pool shipper's nominations in opposite directions (they will net the flows  $AT > CZ$  and  $CZ > AT$ ), and buy the resultant needed capacity either in Germany or in Slovakia.
  - o Do you confirm this understanding ? If so :
  - o How much pooling is expected ? How will it be able to anticipate the expected pooling (in order to establish the TRU tariff in advance) ?
  - o Will GCA and Net4Gas be active on the capacity market in Germany/Slovakia as regular shippers, or will they have a specific status ?
- On TRU cost (point F, page 10) :
  - o What is the expected cost of the service ?
  - o Will GCA and Net4Gas be allowed to earn a margin with this service ?
  - o If not, what will the revenue deriving from the sale of TRU become ?
- On TRU impact on tariffs (page 10) : ENGIE strongly stresses that this service must be and stay a pure market based service, as proposed, without any cross-subsidy effect on other entry and exit points.

### **III Summarizing questions :**

#### **How would you evaluate the proposed model for Austrian-Czech gas market integration overall?**

Our opinion is that this model needs further clarification. At this stage it is unclear if it will really provide the exposed benefits. Without any physical capacities between Czech Republic and Austria, or support from German or Slovak gas transporters, we wonder if a solution meeting the standards for EU gas market integration is possible.

**How would you evaluate the proposed services/product for Austrian-Czech gas market integration overall? Do you share the evaluation of the costs and benefits of an Austrian-Czech gas market integration provided in this document in relation to the development of the gas markets of the Czech Republic/Austria?**

In our understanding, this service provides no added value (except for a hypothetical and unpredictable pooling), as the cost for TRU would be very close to the capacity costs between Czech Republic and Austria. Market based solutions are only possible when compatible with the physical constraints of the networks.

If given more information to better assess the proposed service, ENGIE would like to participate in a dedicated Stakeholder event on the Trading Region Upgrade.

Best regards,

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