

Comments of ČEZ Group – Consultation on the integration of gas markets of Czech Republic and Austria

In response to the invitation of the Energy Regulatory Office of 30 March 2016 to participate in public consultation on the integration of gas markets of Czech Republic and Austria we hereby submit the following ČEZ Group opinion on the given matter.

I. General remarks

ČEZ Group certainly supports all meaningful efforts leading to integration of gas market in the EU that would result in the merger of markets or introduction of functioning trading region. Nevertheless, it is quite difficult to assess the TRU option product based on the presented consultation document. Unfortunately, the data contained in the consultation document are only basic ones and in principle specific comments can be hardly applied against such data. The regulators and TSO should specify in the document their objectives and expectations, anticipated capacities that would be utilised in such manner, what would be the expected basic pricing of such product, how the TRU product corresponds with the rules stipulated by the current legislation of the Czech Republic (Energy Act) and the EU (directly applicable REMIT regulations, etc.) and so on.

II. Specific inputs

In view of the lack of details and overly general nature of the document we do not specifically comment on individual points of the text.

III. Answers to summarising questions

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

The model is currently described at very general level and thus we would welcome more detailed information on applying the model at market merger or introduction of functioning trading region.

In this context it should be noted that ČEZ Group does not consider integration of the Czech and Austrian gas market as a priority that should be developed at the expense of integration with Germany and Slovakia. Czech Republic and Austria do not have direct physical interconnection and the market prices are not interlinked so strongly as with the other above-mentioned neighbouring states. Interconnection between the Czech Republic and Austria is really possible only through Slovakia or Germany, hence we are afraid that the status of the Germany and Slovakia interconnection will deteriorate to the detriment of the effort for integration with Austria, and we do not consider this to be a benefit.

How would you evaluate the proposed services/product for Austrian-Czech gas market integration overall?

Again, we have to state that for the moment the delineation of the entire solution (services/products) is very general and it is obvious that TRU represents an option which is only a complement to the basic capacity products at entry points in the GCA and N4G systems.

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?

Unfortunately, the consultation document does not quantify any specific costs and benefits for the proposed model, thus it is difficult to comment on this question. Of course, specific benefits and the utilisation rate depend on specific price conditions, the price of TRU for individual capacity products and how the sales procedure will precisely look like in the PRISMA platform.

Do you have additional comments or suggestions for enhancement related to the Austrian-Czech gas market integration which you would like to share?

The system should be described in a much better way, in particular regarding the anticipated pricing in relation to the prices of basic capacity products. The TRU product has a form of an option therefore the document does not indicate at all how it will result in the market merger or introduction of a functioning trading region.

Would you be interested in participating in a dedicated Stakeholder event on the Trading Region Upgrade?

Yes

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