

## **Eustream, a.s. comments on “Koordinierter Netzentwicklungsplan 2018 für die Erdgas Fernleitungsinfrastruktur in Österreich für den Zeitraum 2019-2028“<sup>1</sup> (hereinafter KNEP 2018)**

Eustream, a.s. welcomes the possibility to share its position and to comment on the draft of the KNEP 2018 via the consultation process announced by Austrian Gas Grid Management AG as follows:

### **1. Comment to the point 3.7**

The paragraph of the point 3.7 mentions a Study (analysis) on the technical and economic efficiency optimization of the existing infrastructure before taking the FID, or for the planned projects listed in the latest KNEP 2019.

We propose to make this study publicly available.

### **2. Comment to the point 4.2.4. – Table 5**

In the table 5 for the Entry/Exit Reintal is shown requested capacity in the level of 750 000 Nm<sup>3</sup>/h, however the source of the data is missing. Since the latest Market Demand Assessment Report available on the Gas Connect Austria web site<sup>2</sup> indicates non-binding demand for this entry/exit point amount on the level of 200 000 kWh/h, which represents approx. 2,4% of the capacity indicated in the KNEP 2018 and considering the market interest for the TRU service, we assume that the value of 200 000 kWh/h is much closer to the real market interest.

We propose to update the table 5 accordingly – to indicate the capacity demand at the level 200 000 kWh/h.

### **3. Comment to the point 5.1.2.5**

We propose to update the section by inclusion of the latest development and the outcomes of the successful allocation procedure for the HUSKAT project. Offered transmission capacities at Hungarian-Slovak border were fully booked for seven - year period and partly for the next years during the October bid submission window. Total amount of bids has exceeded capacity of 4.29 bcm/year for the period from October 2022 to September 2029. The project has passed the economic tests. Based on a positive response from the market, the HUSKAT project will proceed in line with principles and conditions set according to in the Rulebook of Alternative Allocation Procedure being in line with the Article 30 of the

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<sup>1</sup> <https://www.aggm.at/netzinformation/netzentwicklungsplaene/knep-1>

<sup>2</sup> <https://www.gasconnect.at/fileadmin/Fachabteilungen/ST/DE/MDAR-CZ-AT-27Jul2017.pdf>

Commission Regulation (EU) 2017/459. In line with the procedure set in this Rulebook the final confirmations of capacity bookings are expected to be granted by the end of March 2019.

#### **4. Comment to the point 6.4.1 and point 6.5.4**

We propose to delete the point 6.4.1 and point 6.5.4 - Bidirectional Austrian Czech Interconnector (GCA2015/01a, TAG 2016/05) (hereinafter "BACI") from the KNEP 2018 based on following reasons:

- Successful implementation of the TRU service. As stated by the gas Connect Austria and NET4GAS, the TRU service, as an alternative to the BACI project, simplifies transaction procedures through establishing a One Stop Shop and reduces transaction costs as TRU facilitates cross-border transmission and access to both market areas. TRU service increases trading flexibility and mitigates potential risks as regards capacities and allocation by the combination of necessary separate capacities into one booking procedure and is implementing in practice the European Union's target to bring markets together in an easy and cost-efficient way. (see web sites of GCA and N4G)
- Potential benefits of the project BACI will not overweight its costs, as indicated by the results of the Regional group within the process of 3 PCI list development
- Project is not located in the region with isolated markets or bottlenecks, on the contrary it is located in the region with sufficient capacity of already existing infrastructure. The Austria and Czech gas markets are fully correlated to the German market, for both markets the German market works as a price setter. The project is not necessary for fostering the North-South corridor. None of the mentioned countries meets the criteria of isolated markets according to the directive 2009/73/EC article 49.
- The only impact of the project BACI would be an increase of costs, which would be socialized either in Austria or in the Czech Republic, or in both countries. The project will not bring any new gas into the region comparing to the current status, i.e. not increase the transported volumes via Austrian or Czech system. The project could only redeliver transport of Russian gas in the direction North-South currently running also through Slovakia.
- The project BACI will increase source diversification neither in Austria or Czech Republic. In both markets currently traded gas stemming from the same sources transmitted through Germany or Slovakia.
- BACI will not contribute to the sustainability in the meaning of indirect project support to replace coal by gas, for example as a back-up for renewable energy sources, considering the volumes potentially needed and utilization rate and available capacities of the existing infrastructure.

To conclude:

The cost efficient and reasonable alternative how to interconnect Austrian and Czech market exists – successfully implemented TRU service by Gas Connect Austria and NET4GAS with technical support of eustream.

The existing infrastructure between the Czech Republic and Austria does not suffer from any congestion and is capable to serve needs in both directions (CZ->AT and AT->CZ). Since the gas demand of the markets, currently served by the existing interconnection, would not be changed (increased) by the mere construction of such project, the result may only be a ‘redirection’ of existing gas flows.

This would lead to one of the two following consequences:

1) Utilization of the BACI project would be at the expense of utilization of infrastructure already existing in Austria, the Czech Republic and Slovakia.

2) Project BACI would not be utilized at all.

Naturally, in both scenarios the construction of the pipeline leads to one of the abovementioned infrastructures becoming stranded – be it the project itself or the existing infrastructure in Austria, Slovakia and Czech Republic. There is no guarantee that such a costs will be accepted by the national regulators as reasonable and included into the assets base for tariffs calculation.

Such consequences are in contradiction with any economic rationale and efficient management of public/regulated assets as also recognized by the Regulation (EU) 2017/459 of 16 March 2017, point (2): “Duplication of gas transmission systems is in most cases neither economic nor efficient.”

Ultimately, positive impacts of the project would be negligible compared to negative consequences for consumers in Austria, the Czech Republic and the Slovak Republic.