



# Report on market area balancing action in Austria

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## 1 Introduction

In the Austrian market model, AGGM Austrian Gas Grid Management AG (AGGM) operates both as market area manager and distribution area manager (MAM and DAM) and is responsible for balancing operations in the Austrian gas grid.

Ex-ante and ex-post balancing are essential elements of the Austrian balance group model and provide for measures to ensure balanced entry and exit quantities, keeping the transmission system within its operational limits. The balancing rules underlying the model provide the framework for all parties involved, with the balance group representatives (BGR) being generally responsible for maintaining a balanced energy portfolio. In the course of the ex-ante balancing, the MAM compares the allocated entry and exit capacities for each balance group (BG) based on nominations and informs the BGR of any imbalances. If the BGR itself does not take any action to restore balance, the MAM calls off capacities at the gas exchange on behalf and on the account of the BGR. Ex-post balancing of the distribution area is performed by comparing the forecasted and the actual system exit and entry capacities. In its role as the DAM, AGGM procures physical balancing energy, if necessary, at the gas exchange of the virtual trading point (VTP) in order to safeguard system stability in the distribution area. For that purpose, AGGM buys and sells balancing energy (BE) at market prices on behalf and on the account of the balance group coordinator.

In addition, as part of managing balancing energy, the market area manager AGGM is responsible for collecting balancing incentive markups (balancing fees) when the appropriate conditions are met. Avoiding those markups serves as an incentive for BGRs to consistently make balanced injection and withdrawal nominations for each balance group. The MAM can at the same time use those balancing incentive markups to cover the procurement of balancing energy for the market area and the related costs incurred by any intraday balancing required.

The following report has been prepared in line with the objective of achieving the utmost transparency in matters relating to balancing incentive markups and any balancing measures.

## 2 Legal background

### 2.1 Balancing

The following documents provide the legal framework for balancing of the Austrian grids by the MAM and DAM:

- Balancing Network Code  
Regulation (EU) No. 312/2014 of the Commission establishing a Network Code on Gas Balancing of Transmission Networks
- *Gaswirtschaftsgesetz* (Natural Gas Act) 2011  
Federal Act adopting new rules for the gas market, Federal Law Gazette 107/2011 as amended
- *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012  
Energy-Control Austria Executive Board Ordinance on Provisions for the Gas Market Model, Federal Law Gazette II no. 171/2012 as amended
- GTC MAM-BGR  
General Terms and Conditions of the Market Area Manager stipulating the legal relationship to balance group representatives, version 5.0
- GTC DAM-BGR East  
General terms and conditions of the distribution area manager governing the legal relationship between the distribution area manager and the balance group representatives in the Eastern market area, Version 03
- GTC DAM-BGR T&V  
General terms and conditions of the distribution area manager governing the legal relationship between the distribution area manager and the balance group representatives in the Tyrol and Vorarlberg market areas, version 02

### 2.2 Balancing incentive markups

The following documents provide the legal framework for calculating balancing incentive markups for unbalanced BG positions:

- Balancing Network Code  
Regulation (EU) No. 312/2014 of the Commission establishing a Network Code on Gas Balancing of Transmission Networks
- *Gas-Marktmodell-Verordnung* (Gas Market Model Ordinance) 2012  
Energie-Control Austria Executive Board Ordinance on Provisions for the Gas Market Model, Federal Law Gazette II no. 171/2012 as amended
- GTC MAM-BGR  
General Terms and Conditions of the Market Area Manager stipulating the legal relationship to balance group representatives, version 5.0
- GTC MAM-BGR  
General Terms and Conditions of the Market Area Manager stipulating the legal relationship to balance group representatives, version 4.0

### 3 Balancing actions

In its role as the MAM and DAM, AGGM ensures continuous gas supply in Austria, while the BGRs are responsible for balancing entry and exit capacities. Yet if necessary, AGGM takes balancing actions for gas flow control. As said above, AGGM takes balancing actions by purchasing or selling balancing energy for the distribution area and by purchasing or selling capacities in order to balance BG positions.

#### 3.1 Balancing in the market area

In 2017, no balancing energy was required to be called off to ensure system stability or intraday balancing of the transmission system.

However, the MAM made the following call-offs at the VTP to compensate for intraday imbalances of BGs on behalf and on the account of the BGRs:

Month	Total quantity called-off at the VTP (MWh)	Number of VTP call-offs	Number of called-off BGs at VTP
January	24,905	58	55
February	11,201	29	25
March	9,959	16	15
April	8,197	23	18
May	5,908	17	17
June	7,611	21	21
July	20,064	24	24
August	34,402	47	40
September	8,515	27	26
October	28,809	77	70
November	17,558	53	53
December	69,666	107	100

These data are also available online at AGGM's platform on a daily basis, see "[Market area data](#)", and they are published at the end of each month.

### 3.2 Balancing in the distribution area

In order to maintain system stability, the following balancing energy capacities (in MWh) were procured at the gas exchange of the VTP for the distribution area:

Month	Eastern distribution area		Tyrol & Vorarlberg market areas	
	BE buy	BE sell	BE Purchase	BE Sell
January	326,634	0	75,250	50,465
February	54,491	45,253	12,572	9,795
March	31,995	2,700	4,825	12,080
April	73,150	59,155	21,676	25,577
May	6,200	81,920	6,770	8,980
June	16,600	40,800	5,367	1,100
July	15,550	15,100	7,458	0
August	25,500	11,600	5,843	730
September	104,799	0	8,408	260
October	63,000	62,973	9,190	3,570
November	61,047	30,153	8,560	7,410
December	35,771	91,220	5,890	9,550

Prices for call-offs (EUR/MWh):

Month	Eastern distribution area					Tyrol & Vorarlberg market areas				
	Maximum purch. price	Avg. purch. price	Avg. price w/o call-off	Avg. selling price	Minimum selling price	Maximum purch. price	Avg. purch. price	Avg. price w/o call-off	Avg. selling price	Minimum selling price
January	23.650	21.438	20.402	n.a.	n.a.	23.900	21.457	19.766	20.175	18.183
February	24.900	21.208	20.043	20.990	18.453	24.271	21.991	19.954	19.382	17.725
March	18.687	17.610	16.889	15.868	15.600	19.050	17.927	16.320	15.891	14.975
April	17.859	17.486	16.994	15.543	13.500	18.500	17.048	16.395	15.782	14.500
May	17.591	17.401	16.976	16.469	16.100	16.963	16.617	15.908	15.965	15.100
June	17.213	16.905	16.682	16.250	15.983	16.308	15.637	15.407	14.725	14.725
July	17.056	16.725	16.262	15.887	15.131	16.202	15.570	15.216	n.a.	n.a.
August	17.600	17.203	16.582	16.022	15.938	16.800	16.382	15.986	15.863	15.750
September	19.026	17.953	17.501	n.a.	n.a.	18.975	17.713	17.127	17.333	17.250
October	19.148	18.751	18.250	17.501	16.700	18.364	17.659	17.287	17.294	16.275
November	21.784	20.208	19.621	19.275	18.795	21.450	20.209	19.406	20.067	19.033
December	22.703	21.787	20.835	19.588	18.200	22.000	21.230	20.633	20.895	17.500

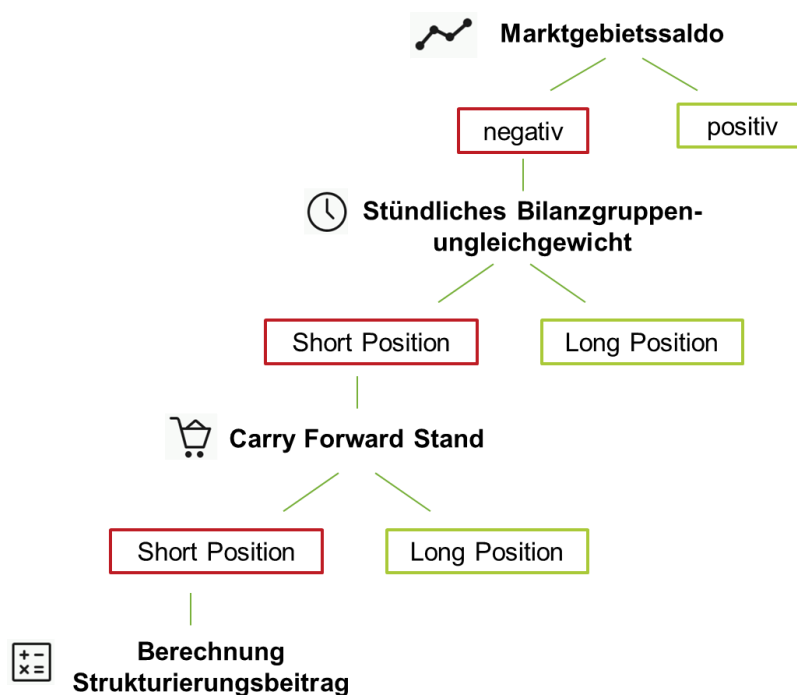
A separate report on the accuracy of the forecast for non-daily metered withdrawals of a system user pursuant to the Balancing Network Code, Article 42 (3) is published on AGGM's website, see "Network information".

## 4 Balancing incentive markups

The method of balancing incentive markups implemented in the Eastern market area of Austria is an incentive mechanism for BGRs to submit balanced nominations.

### 4.1 Method for balancing incentive markups in 2017

The following chart illustrates the method of balancing incentive markups, green boxed indicate that BG imbalances are not charged (see GTC MAM-BGR Article 9 as amended).



The current balancing incentive markup method serves in particular as an incentive to reduce short positions. The factors to be used for calculating an hourly short position are listed in the two tables below.

#### 4.1.1 Calculating method applied from 1 January 2017 to 31 May 2017

Until 31 May 2017, the following scale rates were applied for calculating the BGRs' balancing incentive markups:

Hourly deviations of a short position in kWh	Amount of balancing incentive markup in eurocents
Volumes between 0 and 300,000 kWh	0.1 cent/kWh
Volumes > 300,000 kWh	1.0 cent/kWh

#### 4.1.2 Calculating method applied from 1 June 2017 to 31 December 2017

On 1 June 2017, the scale rates and the relevant balancing incentive markups were slightly adjusted in favour of the BGRs:

Hourly deviations of a short position in kWh	Amount of balancing incentive markup in eurocents
Volumes between 0 and 400,000 kWh	0.09 cent/kWh
Volumes > 400,000 kWh	0.9 cent/kWh



## 4.2 Balancing incentive markups charged in 2017

In 2017, the market area manager charged the volumes and amounts (in Euro, excl. VAT) listed below by month and scale:

Month	Balancing incentive markup by scale - 0.1 cent/kWh		Balancing incentive markup by scale 1.0 cent/kWh		Total balancing incentive markups amount	
	KWh	€	KWh	€	KWh	€
January	38,905,422	38,905.48	35,517,256	355,172.56	74,422,678	394,078.04
February	30,301,073	30,301.10	3,298,795	32,987.95	33,599,868	63,289.05
March	7,866,434	7,866.45	0	0.00	7,866,434	7,866.45
April	13,082,165	13,082.16	1,384,588	13,845.88	14,466,753	26,928.04
May	6,344,983	6,344.98	2,556,050	25,560.50	8,901,033	31,905.48
Month	Balancing incentive markup by scale - 0.09 cent/kWh		Balancing incentive markup per rate level 0.9 cent/kWh		Total balancing incentive markups	
	KWh	€	KWh	€	KWh	€
June	12,602,843	11,342.56	0	0.00	12,602,843	11,342.56
July	14,561,336	13,105.17	0	0.00	14,561,336	13,105.17
August	9,924,243	8,931.82	0	0.00	9,924,243	8,931.82
September	7,525,078	6,772.59	712,000	6,408.00	8,237,078	13,180.59
October	39,368,660	35,431.85	14,202,230	127,820.08	73,505,293	163,251.93
November	27,787,418	25,008.75	407,688	3,669.19	28,195,106	28,677.94
December	22,078,005	19,870.13	1,645,000	14,805.00	23,723,005	34,675.13
<b>Total</b>	<b>230,347,660</b>	<b>216,963.04</b>	<b>59,723,607</b>	<b>580,269.16</b>	<b>310,005,670</b>	<b>797,232.20</b>

The current method stipulates that monthly balancing incentive markups below EUR 50 for a given BG will not be charged. In 2017, **no balancing incentive markups were charged in 99 cases** due to this provision.

### 4.3 Offsetting of open carry-forward accounts

Due to suspension of services or blocking of individual BGRs, it was impossible to balance the carry-forward accounts of the affected BGRs in time. Pursuant to clause 9.4 of the GTC MAM-BGR, the MAM is responsible for their compensation at the VTP.

As a result, the MAM sold and purchased capacities at the gas exchange, and the balancing energy fund was credited with a total of €403.06 and charged with €260.55.

### 4.4 Balancing energy fund

At the end of December 2017, the amounts in the balancing energy fund were as follows:

<b>Balancing energy fund as of 31 December 2013</b>	<b>3,007,248.63 €</b>
Return to the market of balancing incentive markups charged 2013-2015 based on re-calculation (see report on balancing incentive markups of 16 January 2017)	-2,618,446.34 €
Total of balancing incentive markups (Jan. 2017 -May 2017)	524,067.06 €
Offsetting of BGR's carry-forward accounts (Jan. 2017 - May 2017)	166.95 €
<b>Preliminary total as of 31 May 2017</b>	<b>913,036.30 €</b>
Return of charged balancing incentive markups as of 1 June 2017 (due to AGGM becoming MAM)	-913,036.30 €
Total of balancing incentive markups (June 2017 – Dec. 2017)	273,165.14 €
Offsetting of BGR's carry-forward accounts (June 2017 – Dec. 2017)	-24.44 €
<b>Balancing energy fund as of 31 December 2017</b>	<b>273,140.70 €</b>

## 5 Conclusions and summary

### 5.1 Balancing actions

- From January 2017 to November 2017, the MAM did not perform any extraordinary call-offs for unbalanced BGs. Compared with 2016, smaller quantities were called off in some months, in other months there were higher call-offs.  
In December 2017, an especially great number of call-offs was recorded, due to the gas accident on 12 December 2017 and its impact on the Baumgarten gas station (explosion and fire). A total of 33 of 107 call-offs recorded for the VTP in December were due to that accident.
- In January 2017, an all-time high of balancing energy used to maintain system stability was registered in the distribution area. The cold spell during this period, in combination with the increased use of power stations because of the strained situation in electricity supply in Europe made natural gas suppliers reach their supply limits. However, the supply of natural gas was at risk at no point of time.

### 5.2 Balancing incentive markups

- Only few enquiries on the calculation method for balancing incentive markups were submitted by the BGRs, which suggest that the method is comprehensible for the market participants. The calculation method was once again presented to all BGRs at the customer event in May 2017, and documentation thereof provided to them after the event.
- Several BGRs were faced with high balancing incentive markups (esp. in January and October 2017); the occurrence of those high short positions was due to the BGRs' nomination management, which lies within their own sphere of responsibility. Transparency regarding the balancing incentive markups was ensured by publishing the allocation data reports, which are available to BGRs and can be found in the member section of AGGM's platform.
- On 1 June 2017, AGGM Austrian Gas Grid Management AG took over from GAS CONNECT AUSTRIA GmbH the role of the MAM. At the time of the changeover, the balance energy fund was reset to zero. The amounts accrued between the re-calculation of the second regulatory period and 1 June 2017 will be returned to the market in the third regulatory period. Similarly to the return of balancing incentive markups for the years 2013 to 2015 (see the report on balancing incentive markups of 2016), the markups will again be returned by granting reduced tariffs to the system users.
- As a consequence of the gas accident at Baumgarten on 12 December 2017, which was unforeseeable and outside the BGRs' sphere of influence, clause 13.1 of the GT MAM-BGR was applied and no balancing incentive markups were charged for the period during which balancing by the MAM was suspended; the BGRs were enabled to balance their unbalanced positions themselves.
- Since the balancing incentive markups were reduced only in June 2017, we propose an additional period of observation before re-adjusting the factors in the first quarter of 2019 at the earliest.