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Bratislava, 15 th July 2016

Comments of eustream, a.s., on the Coordinated Network Development Plan 2017 – 2026 (hereinafter „CNDP“) issued by Gas Connect Austria GmbH

1. Bidirectional Austrian – Czech interconnection (BACI) between Baumgarten (AT) – Reinthal (CZ/AT) – Brezlav (CZ)

- a) Planned Bidirectional Austrian – Czech interconnection (BACI) between Baumgarten (AT) – Reinthal (CZ/ AT) – Brezlav (CZ) – this project is included in the North – South Interconnections Priority Corridor (NSI) which aims at physical connection of the existing/ planned LNG terminals on coast of the Baltic, Adriatic and Black sea. Due to the existence of the massive parallel bidirectional infrastructure between the Czech Republic and Austria, which runs via the Slovak territory and provides sufficient available capacity, it is clear that the project BACI is a redundant and inefficient project from the market point of view. It leads only to uneconomic and inefficient duplication of existing transmission system. Neither physical gap at IP Lanžhot has been identified nor congestion in a specific time period is expected to occur there. In case of market demand the increase of existing capacity at the IP Lanžhot can be realized. That is why the realization of the BACI project seems to be redundant.
- b) The Project BACI is not in line with the ACER position relating to the Energy Infrastructure Package based on the document "Position of the Agency for the Cooperation of Energy Regulators on improving the efficiency of the European framework for energy infrastructure development" dated on 22nd June 2016. ACER says that "*[s]marter solutions, exploiting the existing networks, are not always given the opportunity to be considered and to compete with larger new projects. If there are credible, smarter and cheaper alternatives to addressing the identified needs compared to a project in the TYNDP, then Regional Groups should transparently consider whether it is right to grant such alternative projects the PCI status (page 9)*" and that "*[t]he EIP could and should play a stronger role in facilitating the identification of the most efficient projects and in providing opportunities for finding innovative alternative solutions (including the better use of the existing network) (page 9).*" These statements of ACER represent a clear call for better utilization of existing gas infrastructure and avoiding realization of new redundant projects.
- c) The project realization will not increase social welfare in the region as it just represents the redirection of existing flows via the IP Lanžhot at Czech – Slovak border and Baumgarten at Austrian – Slovak border.

- d) The project is not be able to bring a benefit of higher utilization of the Czech transmission network. No benefits are expected in parameters such as security of supply, diversification of energy sources, decrease of commodity price by the project implementation. Because of these reasons, the Project BACI is not able to achieve any positive externalities and thus its overall benefits are not be able to outweigh its costs.
- e) The project implementation will need crossing of the protected areas Natura 2000, which will have long-term negative impact from the environmental point of view.
- f) The project BACI will decrease the security of supply at least in one of the countries of the Energy Community region by redirecting existing gas flow (Ukraine) and dramatically harm interests and economy of two countries (both Slovakia and Ukraine).
- g) In May 2015 both companies Gas Connect Austria GmbH and Net4Gas, s.r.o., organized market research in order to receive feedback from market participants whether a new incremental capacity should be offered at a new interconnection point or via market integration by means of existing infrastructure, which is at this moment the preferred model for market participants.
- h) It is said that the Project BACI is to strengthen market integration, competition and price convergence in Austria. On the other hand it is mentioned, that there is no demand need from Austrian customers to connect to this project. Therefore reasonings of the Project seem to be meaningless.

2. Baumgarten Brezlav Interconnector

Hereabove mentioned comments relating to the project BACI applies also for the Baumgarten Brezlav Interconnector.

- a) The project – Baumgarten Brezlav Interconnector aims at physical connection of the Czech Republic and Austria. Due to the existence of the parallel massive bidirectional infrastructure between the Czech Republic and Austria, which runs via the Slovak territory, with sufficient available capacity, it is clear that the Baumgarten Brezlav Interconnector is a redundant and inefficient project from the market point of view. It leads only to uneconomic and inefficient duplication of existing transmission system. Neither physical gap at IP Lanžhot has been identified nor congestion in a specific time period is expected there. In case of market demand the increase of existing capacity at the IP Lanžhot can be realized. That is why the realization of the Baumgarten Brezlav project seems to be redundant.
- b) The Baumgarten Brezlav Interconnector is not in line with the ACER position relating to the Energy Infrastructure Package based on the document "Position of the Agency for the Cooperation of Energy Regulators on improving the efficiency of the European framework for energy infrastructure development" dated on 22nd June 2016. ACER says that "*[s]marter solutions, exploiting the existing networks, are not always given the opportunity to be considered and to compete with larger new projects. If there are credible, smarter and cheaper alternatives to addressing the identified needs compared to a project in the TYNDP, then Regional Groups should transparently consider whether it is right to grant such alternative projects the PCI status (page 9)*" and that "*[t]he EIP could and should play a stronger role in facilitating the identification of the most efficient projects and in providing opportunities for finding innovative alternative solutions (including the better use of the existing network) (page 9).*" These statements of ACER represent a clear call for better utilization of existing gas infrastructure and avoiding realization of new redundant projects.
- c) The project realization will not increase social welfare in the region as it just represents the redirection of existing flows via the IP Lanžhot at Czech – Slovak border and Baumgarten at Austrian – Slovak border.

- d) The project is not able to bring a benefit of higher utilization of the Czech transmission network. No benefits are expected in parameters such as security of supply, diversification of energy sources, decrease of commodity price by the project implementation. Because of these reasons, the Baumgarten Brezlav Interconnector is not able to achieve any positive externalities and thus its overall benefits are not able to outweigh its costs.
- e) The project implementation will need crossing of the protected areas Natura 2000, which will have long-term negative impact from the environmental point of view.
- f) The project Baumgarten Brezlav Interconnector will decrease the security of supply at least in one of the countries of the Energy Community by redirecting existing gas flow – of Ukraine and dramatically harm the interests and economy of two countries (both Slovakia and Ukraine).
- g) In May 2015 both companies Gas Connect Austria GmbH and Net4Gas, s.r.o. organized market research in order to receive the feedback from market participants whether a new incremental capacity should be offered at a new interconnection point or via market integration by means of existing infrastructure, which is at this moment the preferred model for market participants.
- h) It is said that the Project Baumgarten Brezlav Interconnector is to strengthen market integration, competition and price convergence in Austria. On the other hand it is mentioned, that there is no demand need from Austrian customers to connect to this project. Therefore reasonings of the Project seem to be meaningless.

3. TAG 2016/05 TAG Baumgarten interconnection capacity (BACI) TAG 2016/06 TAG Baumgarten interconnection capacity (BBI)

The need for these projects is justified by the same terminology and reasons as the BACI and BBI project therefore our argumentation about BACI and BBI fully apply also for both projects.

a) TAG 2016/05 TAG Baumgarten interconnection capacity (BACI)

This project fully proves, that drivers for the BACI project are neither market integration, competition, price convergence, nor SoS, but construction of a parallel pipeline and not utilization of existing available infrastructure. Public support of such project is therefore very questionable.

b) TAG 2016/06 TAG Baumgarten interconnection capacity (BBI)

This project represents investments to bypass existing available and not fully used capacity on the route from Germany to Italy. Therefore its contribution to security of supply appears to be redundant.

4. Innovative marketing concepts - TRU (trading region upgrade)

The CNDP presents only a very basic idea of the TRU concept. Without having a detailed analysis of costs, revenues and overall benefits for all involved parties including target parameters of integration, it is impossible to evaluate the project properly.

5. IP Petrzalka (Transit market Austria)

We would like to correct the imprecise information in the part Transit market Austria. The adjacent TSO is the Slovak TSO – eustream, a.s. not SPP Distribucia. Moreover, the capacity for this IP is at Slovak side offered (according to the Slovak legislation) at the aggregated point Baumgarten.

6. Project GCA 2015/10 a

The different dates of completion of this Project are used in the CNDP (4Q 2021 and 4Q 2020).

7. TAG 2016/03 Reverse Flow Baumgarten MT station (MS2)

We would like to state that the main driver for this Project is the legal requirement of the SoS Regulation 994/2010 (obligation for bidirectionality). Recently N-1 factor for Slovakia is almost 300%.

Overall comments to the CNDP

- a) Projects BACI and Baumgarten – Brezlav Interconnector are planned for the same IP and with same commissioning dates. It is questionable whether one operator should introduce two „comparable“ projects.
- b) Some of the pictures are not translated into English.