

## Energy Traders Europe comments to the consulted tariff methodology in Austria

Energy Traders Europe welcome the opportunity to comment on the proposed change to the tariff methodology that is set to apply as of January 2025. We particularly appreciate the timely publication of the consultation document in English, allowing broad participation that is needed, especially in view of the scope of changes proposed.

### Key messages

- The new methodology would result in a major shift in cost allocation across the entire Austrian gas network. **The calculated increase in the costs of imports will affect the economics of gas use in the country**, particularly when combined with the existing and prospective neutrality charges introduced by neighbouring Member States<sup>1</sup>. The proposed approach **will also threaten Austria's ambition to diversify away from Russian gas imports**.
- **Further justification is needed for some key elements of the proposed methodology** i.e. the revised entry/exit split, division of costs between capacity- and commodity-based charges, discontinuation of the storage discount for the exit side and new way of grouping homogenous points.
- **Proposed multiplier levels further exaggerate the problem** of falling attractiveness of gas imports to Austria **threatening the liquidity that the market has developed** over the years. **We therefore believe that alternative methodologies and parameters should be tested before a decision is taken on the new tariff levels**.

Below we present some more detailed comments on the different sections of the proposal.

### Reference price methodology

The proposed switch to the Capacity Weighted Distance (CWD) model is stated to be implemented to adjust to the new west-to-east gas flow pattern and to account from a different import configuration (from one dominant entry point to more than one). However, we have little visibility as to the weight assigned to the alternative potential routes in terms of expected flows. This results in major changes to the tariff levels (up to 300% increases at network entries in the west) that **can greatly affect the economics of using the Austrian gas network negatively impacting exactly the points Austria should leverage on given the ambition to diversify away from Russian import**<sup>2</sup>. To avoid falling into a vicious circle of dropping utilization rates and growing costs of network usage, we therefore recommend both clarifying the input to the CWD methodology and the testing of other permissible methodologies such as the postage stamp method used in the Netherlands and Germany. An alternative approach might also be to test maintaining the current reference price methodology (including the existing homogenous points grouping) in place for the upcoming period.

The other issue with the proposed methodology that we wish to flag up is **discontinuation of benchmarking** by E-Control. The **existing tariff methodology envisaged** adjustments

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<sup>1</sup> Please refer to our [statement](#) of 22.01.2024 for further information.

<sup>2</sup> The need to diversify gas supplies was recently [reemphasized](#) by the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology

stemming from benchmarking (as envisaged under Art. 6 of NC TAR) that were to **limit the maximum tariff increase to 10%. Under the new approach no benchmarking was done** and the resultant surge in tariffs is far beyond the cap that was set to *safeguard existing contracts and tariff stability, as well as to avoid market distortion*<sup>3</sup>. While we recognize that the market conditions have changed considerably, we also note that the proposed changes to transmission costs reaching 300% at some network points were impossible to predict by the capacity holders. We would therefore ask E-Control to reintroduce benchmarking and consider changes that would prevent market distortions. In the spirit of tariff stability, we also suggest that the agreed methodology is set to apply for the full 4-year tariff period, with the possibility for annual (capped) adjustments.

### Homogenous group of points

We note that the new approach to equalization of tariffs at homogenous points now envisages grouping storage and cross-border exit points where they can potentially be competing with each other (i.e. on the borders with Slovakia and Germany). In our view **such approach is not in line with of NC TAR**, as the code specifically names the types of points that can be grouped (art. 3 point 10). Attempt to combine MAB and Penta West storage exits with the corresponding IPs given that they may be used as competing routes is **all the more confusing in view of the fact that the related cross-border storage usage fee is set to remain in place**. We believe that equalization of tariffs should remain applicable separately for cross-border points and storages. An equal tariff for cross-border entry points would also contribute to the goal of reducing dependence on Russian gas.

### Storage discounts

**We do not understand the logic behind applying a 100% discount for storage entries and 0% discount for storage exits**, particularly since mechanisms preventing distortions to competition between IP and storage exits are already in place. We further note that **Article 9 of NC TAR specifically states that at least a 50% discount should be offered separately for entries to and exits from storage facilities**. While the code indeed waives the requirement for storages competing with IPs, we reemphasize that this issue was resolved long ago in Austria and the **proposed approach can only discourage the use of these assets**.

### Allowed revenues and the capacity-commodity charge split

While we recognize that the illustrative values of allowed revenues for both TSOs are expected to be lower under the new methodology, we note that **no reasoning is given for the suggested potential split between the costs recovered through the capacity and commodity charges respectively. We can only imagine that the commodity charge will be used exclusively to recover fuel gas costs. If so, it would be important to be reassured about the calculation methodology behind this change and that no change to the charge will materialise in the course of a given tariff year**.

### Cross-subsidization

While we are not in a position to challenge the calculations presented under the cost allocation assessments, **we encourage E-Control to analyse the actual expected impact of the increase in tariff costs on the attractiveness of using the Austrian gas network**

<sup>3</sup> E-Control (2019) Consultation Document: Implementation of the network code on harmonised transmission tariff structures for gas, Vienna, p. 7.

**and on Austrian consumers.** Given the loss of east-to-west historical bookings, competitiveness of transit routes via Austria in other directions will become increasingly important for the country's network utilization and cost reconciliation.

### **Multipliers**

**With the highest possible multipliers proposed, the attractiveness of shipping gas through the Austrian system will suffer even further.** With long-term booking costs on the western IPs growing several times, the overall utilization rate of the Austrian network can only be expected to drop, threatening the ability to reconcile the costs and exerting pressure on tariff increases in the future. While we recognize the challenge the country is facing in view of a fundamental change of flow patterns, **a new equilibrium between the tariff increases and manageable expected drop in network utilization rate should be sought.**

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