



**By email TO :**

**ACER**

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**By email CC:**

**European Commission, DG Energy**

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**E-Control Austria**

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**Magyar Energetikai és Közmű-szabályozási Hivatal**

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14 January 2019

**Consultation on third party observations regarding HU-AT incremental capacity project**

**OMV Downstream**

Dear PERSONAL DATA REMOVED

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We are writing to you with regard to the currently ongoing third party consultation on observations concerning the HU-AT incremental capacity project proposal to which ACER has invited to by public announcement on Nov 16, 2018.

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First of all, we would like to thank you for the opportunity to participate in this consultation and to share our thoughts and comments with you.

OMV Gas & Power GmbH

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OMV Gas & Power is strongly interested in activities which are further strengthening the interconnection of the national gas transport systems within the South Eastern region of Europe as well as their connection to the liquid Central European gas markets. In this respect we are also following the projects related to the reverse flow in Mosonmagyaróvár.

Considering the potential domestic EU gas production in the Black Sea region, interconnectivity towards Central Europe is of essential interest in view of the targeted European Energy Union and the direct physical connection between Hungary and Austria is a key element to achieve such interconnectivity. Considering the HUAT project there are several vital aspects why such connection is important for the region:

- SEE region suffers from limited interconnection within the region but also from lack of connection to liquid gas hubs. The closest liquid gas hub in

the region is CEGH. Therefore a direct connection of Hungary to the Baumgarten gas turn table is of highest priority for the entire SEE region.

- Demand indications: the demand indications made to GCA, FGSZ and Transgaz (Romania) have been the basis for the initial RO-HU-AT project and such demand is also stated as the main driver for the project "Mosonmagyaróvár" in the ENTSOG TYNDP 2017 report. The assessment according to Art. 26 CAM NC, which was conducted by the GCA and FGSZ in Q2 2017, has again evidenced a substantial demand of around 9 bcm/a for the HUAT project. This demand requests showing the continued interest of shippers to have a direct physical connection from Hungary to the CEGH as the most liquid market in the region.
- Diversification of gas supply sources: enabling the market to freely flow gas from the South-East to Central and Western Europe, will create opportunities for new gas supply sources from in- and outside of Europe. Such will find the infrastructural framework to reach customers in the SEE/CEE region, in particular via CEGH, which is the closest liquid gas hub in the SEE region. HUAT can attract additional shippers and has the potential to foster liquidity and price development in the region.
- Price spreads: huge price spreads between neighboring markets – especially in cases of cold spells – are a strong indicator for capacity bottlenecks between these market areas. Such price spreads are regularly seen if the demand (and subsequently the prices) in Austria is higher than in Hungary and there is no possibility for market participants to float between the pricing points.

We deem the way how the HUAT process was carried out not compliant with CAM NC and as not acceptable, because the process was simply stopped by the Hungarian regulator before the market could bid for capacity. In particular, based on a recommendation of MEKH no products for incremental HUAT capacities were offered, although E-Control Austria had approved the product on the Austrian side. Subsequently no economic test could be conducted, which leaves the argument, that this project is not viable for economic reasons without basis.

With the split of the original ROHUAT project into ROHU and HUAT a significant change in the tariff structure was observed (i.e. introduction of a supplement on the entry to Hungary, even higher than the supplement on the exit to Austria of the original ROHUAT product) which could not be explained by additional infrastructural measures resulting from this split. Most of the related projects have been and still are PCI projects (i.e. 6.24.1, 6.24.4, and 6.24.10) with unchanged technical parameters; therefore, we expect at least no supplement on a future exit tariff to Austria to be applied. For this reason, we request ACER to drive a process to bring more transparency into the mentioned cost and tariff calculations for this project.

We strongly believe that providing reverse flow capacity at IP Mosonmagyaróvár is a feasible and vital option to increase and strengthen interconnectivity between South-East and Central Europe. The market shall be allowed to provide the answer on the viability of such product via an adequate and non-discriminatory capacity marketing process based on transparent cost and tariff calculations. Introduction of intermediate capacity offer levels, where physical reverse flow can be realized in smaller steps might be a way that can help to reduce the required investments for the HUAT project.



In this respect we kindly request ACER to enable the development of a reverse flow in Mosonmagyaróvár in the near future, and under the premise of applying appropriate and transparently documented tariffs.

OMV Gas & Power also commit itself to help progressing projects for strengthening the European infrastructural landscape and we continue to offer our support and availability for any needed meetings or consultations.

Sincerely yours,  
OMV Gas & Power GmbH

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