

PERSONAL DATA REMOVED

ACER
Trg republike 3,
1000 Ljubljana,
Slovenia

Your ref.
Your letter
Our ref.
Contact
Phone
Email

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Essen, 15/01/2019

HUAT incremental gas interconnection project between Austria and Hungary

Dear PERSONAL DATA REMOVED

Further to your notice to third parties inviting observations on the above project, RWE Supply & Trading GmbH (RWEST) would like to make the following non-confidential comments to help inform your decision.

RWEST follows developments in the Central Eastern European Region with interest, in particular along the route from Romania/Bulgaria to Austria/Slovakia via Hungary. We firmly believe these markets require strong physical interconnection and welcome projects geared towards increasing physical capacities at border points. In our view there is benefit in having several projects competing for the most economical way of providing this capacity. So in this respect we appreciate that TSOs suggest economically suitable and viable projects, while the market and shippers bid for capacity offered by these projects in a competitive manner.

In the case of HUAT, we recognise that the project has always been in competition with the HUSKAT project. While we see some physical advantages for our portfolio in HUSKAT, we are disappointed there is no offering from a competing project like HUAT, particularly if this proved to be economically superior.

Unfortunately, there is no publicly available information on the estimated costs of building and using HUAT, so it is not possible for us to determine the extent to which HUAT may be a superior option to HUSKAT. Indeed, OS rulebooks aside, there has been a lack of transparency and confusion around various aspects of the original PCI 7.1.5 incremental capacity project. This hampers network users from making efficient incremental capacity booking decisions and which risk promoting inefficient investment.

Clearly the relevant NRAs have not been able to agree on the basis for an incremental capacity offering which, anecdotally, we understand may be because of differing views on the interest rates used in the Net Present Value calculation and the magnitude of any step back fee. However, we hope that ACER is able to reconcile these differences and make a reasoned opinion which allows the HUAT

RWE Supply & Trading GmbH
Altenessener Straße 27
45141 Essen
T +49 201 12-09
F +49 201 5179-4040
I www.rwe.com

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Registered Office:
Essen, Germany
Registered at:
Local District Court, Essen
Registered No. HRB 14 327

Bank details:
Deutsche Bank Essen
Bank Code 360 700 50
Account No. 299 070 300
SWIFT: DEUTDEDE
IBAN: DE68 3607 0050 0299
0703 00

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VAT Id DE 8130 22 070
VAT No. 112/5717/1032

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incremental capacity project to be market tested during the next annual capacity auctions in July 2019.

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We remain at your disposal for further inquiries.

Yours sincerely,

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