

## Template for monitoring obligations

*COUNCIL REGULATION (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices*

### Background

Article 19<sup>1</sup> of the Council Regulation (EU) 2022/1854 defines monitoring obligations for Member States. This document provides a template for Member States to fulfil their monitoring obligations.

### Demand reduction

The questions below cover Articles 3, 4 and 5:

1. Please specify which measures have been put in place to reduce the total monthly gross electricity consumption (Article 3.1).

Measures taken over the period from November 1<sup>st</sup>, 2022 to the 31<sup>st</sup> of March 2023:

- **Energy saving campaign “Mission 11”.** Launched on September 12<sup>th</sup>, 2022, before the start of the heating season, this campaign aims to enable Austrian households to collectively save an average of 11 % of their total energy needs for electricity, heating, hot water and mobility. The energy savings are intended to be achieved through small changes in behaviour, simple actions and without spending a lot of money. The campaign will last until the end of March 2023, covering the whole heating period.
- **Energy saving measures for obtaining energy cost subsidies for companies.** As a funding prerequisite for obtaining an energy cost subsidy, companies have to set the following energy saving measures: No outdoor lighting and shop window lighting between 10:00 pm and 6:00 am; no heating in the outdoor area, especially no use of outdoor radiant heaters; no permanently open shop doors (doors that open and close automatically should not be kept open permanently); mandatory energy audit for large companies that receive between 2 and 50 million Euros in funding (energy cost subsidy for companies).
- **Other subsidies.** Domestic environmental subsidy program: Provides around 180 million Euros in subsidies per year for energy carrier change and/or energy efficiency improvement as well as the expansion of district heating, focusing on company projects as well as projects of associations and municipalities. White goods exchange subsidy program: Budgeted with 10 million Euros for low-income households; the program will support the replacement of white goods such as refrigerators, fridge-freezers and washing machines with particularly high energy consumption by appliances with lower energy consumption; a further 5 million Euros will be made available to intensify energy advice for low-income households all over Austria.

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<sup>1</sup> Article 19.3

*By 31 January 2023 and again by 30 April 2023, Member States shall report to the Commission on:*

*(a) the demand reduction achieved pursuant to Articles 3 and 4 and the measures put in place to achieve the reduction pursuant to Article 5;*

*(b) the surplus revenues generated pursuant to Article 6;*

*(c) the measures concerning the distribution of the surplus revenues applied to mitigate the impact of high electricity prices on final electricity customers pursuant to Article 10;*

*(d) any public interventions in the price setting for the supply of electricity referred to in Articles 12 and 13*

- **Temperature reduction.** Lowering the room temperature to 19°C in public buildings as well as at work places in the private sector and in service buildings and industrial buildings. Temperature reduction in public transport vehicles: Reduction of temperature in the passenger compartments of public transport vehicles (e.g. underground trains, trams, regional buses) and abandonment of the heating of short-distance means of transport such as gondolas, cable cars, chair lifts.
- **Limitation of lighting.** Limitation of public lighting in the outdoor area: Reduction of dispensable or purely representative lighting and the exterior lighting of sites as well as monuments and landmarks owned by/under the jurisdiction of the federal government. No Christmas lighting, reduction of the intensity of street lighting in public spaces. Optimisation of indoor lighting by installing motion detectors, not having permanent lights, installing LED luminaires, reducing luminosity, using the dimming function if available.
- **Consumption reduction in operational processes.** Possible measures include the insulation of pipelines and renewal of damaged insulation systems, reduction of leakages in compressed air systems, load curve analysis, carrying out energy audits/introducing energy management systems.
- **Optimization of heating systems and fuel switch.** Possible measures for the optimization of existing heating systems include hydraulic balancing, maintenance and annual heating system checks, insulation of heating pipes, adaptation of the heat distribution system in operation (reduction of flow temperature, optimized flow control), optimization of heat pump settings (optimization of heating curve), night setback, keeping the temperature of condensing boilers below 60°C, checking the water pressure. Public sector fuel switch: Connection to district heating of properties where the connection option is already available in the heating centre or in front of the property. Photovoltaic offensive on federal buildings – evaluation and implementation of renewable generation systems on existing federal buildings and car parks.

Reduction by electrification taken into account in accordance with Article 3(2) of Regulation (EU) 2022/1854: According to Article 3(2) member states may take into account the increased gross electricity consumption that follows from reaching the gas demand reduction targets and general electrification efforts to phase out fossil fuels. Within this analysis, the Austrian electrification efforts mentioned in Article 3(2) were investigated considering the following areas:

- Use of heat pumps for room heating and hot water purposes of residential, commercial, agricultural and industrial buildings;
- Use of battery electric vehicles;
- Use of electricity within industrial processes.

All calculations identifying the electrification trends within the above-mentioned areas are based on the general assumption, that the increase of electricity demand (e.g. by heat pumps) leads to a corresponding reduction of the fossil fuel demand. Overall, the electrification trends can achieve a reduction of around 1.5 - 2% of the respective monthly gross electricity demand.

2. By how many MWh has the total monthly gross electricity consumption been reduced between 1 December 2022 and 31 January 2023?

Gross electricity consumption is reduced by 387.534 MWh or 6,6% (5.846 GWh 5 year average) in December 2022, as also shown on the ENTSO-E transparency platform. Increased gross electricity consumption that results from general electrification efforts to phase out fossil fuels of 110.000 MWh are considered.

3. Which measures have been put in place to reduce the gross electricity consumption during the identified peak hours (Article 4.2)? Please provide details on the costs and impacts achieved for each measure.

The national legal basis for the implementation of the electricity demand reduction requirements in connection with Article 4 and 5 of Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices is the Austrian federal act “Bundesgesetz über Maßnahmen zur Stromverbrauchsreduktion in Spitzenzeiten (Stromverbrauchsreduktionsgesetz – SVRG)” (Electricity Consumption Reduction Act). To achieve the demand reduction, the SVRG primarily calls for voluntary electricity reduction measures, such as targeted demand reduction calls during peak periods. If necessary, and as an additional measure, a competitive bidding process is conducted to incentivise demand reduction. For the latter, Austria notified aid for additional reduction of electricity consumption by electronic notification to the European Commission on November 29<sup>th</sup>, 2022.

Voluntary measures include in particular awareness-raising measures, such as targeted energy-saving appeals to the population as well as energy efficiency and renovation measures. Targeted demand reduction calls during the identified peak hours (8:00 to 12:00 and 17:00 to 19:00) are being carried out since December 1<sup>st</sup>, 2022. The savings that can be achieved through mere changes in behaviour as a result of high electricity prices should also be included in the reduction target. A detailed list of planned measures to achieve a voluntary reduction in electricity consumption can be found in the answer to question 1 above.

On top of that, additional reduction of electricity consumption through a competitive bidding process will be possible from February 2023, to ensure that a 5 % reduction of electricity consumption is achieved on average over all peak hours between December 2022 and March 2023. For every day between February and March 2023, the Austrian TSO (Austrian Power Grid AG, APG) will first define three potential activation periods within the defined peak periods (8:00-10:00, 10:00-12:00 and 17:00-19:00). For each potential activation period, the APG will forecast the expected voluntary reduction of peak consumption. On a weekly basis, APG will then define the volume to procure under the measure as the remaining volume necessary (if there is any) to enable a consumption reduction of 5% (on average) for the considered potential activation period. If the forecast voluntary reduction is enough to ensure a 5% consumption reduction in the considered potential activation period, APG will procure nothing. 12 days before the week of each potential activation period, APG will tender the consumption reduction volume established, following the steps in recital (20) of Regulation (EU) 2022/1854 through an open competitive bidding process. One tender will take place for all the potential activation periods of a given week. Beneficiaries will be selected solely based on the lowest unit cost of additional peak consumption reduction (in EUR/MWh), to cover the tendered volume at the lowest cost. Beneficiaries selected at this stage have no guarantee of activation or payment of the

consumption reduction. All electricity consumers and aggregators (including behind-the-meter storage and behind-the-meter renewable generation, excluding behind-the-meter generation based on fossil fuels) able to provide additional consumption reduction within the Austrian power system are eligible to participate in the measure, provided they fulfil the cumulative conditions set out in the SVRG (e.g. being able to forecast their electricity consumption, having appropriate electricity metering installed, etc).

The cost of publishing peak hours for targeted calls of voluntary savings and the cost of preparation of the competitive bidding process amount to approximately 1 million Euros. Since the competitive bidding process will only start in February, no cost have been incurred through this measure so far.

4. Please specify how the peak hours have been identified (Article 2.4, Article 4.1).

Based on historical data, the time slots 8:00 – 12:00 and 17:00 – 19:00 on working days (period December 24th, 2022 – January 8th, 2023 completely excluded) were determined as high-consumption hours. In a further step, those high-consumption hours in which low production of renewables is expected are defined as peak hours according to article 2(4) and article 4(1). The peak hours are determined two days in advance based on the most recent forecasts for renewables.

5. How is the reduction of gross electricity consumption during the identified peak hours computed? Which baseline do you use (historical data, historical data corrected with temperature, TSO expertise)?

The model takes historical consumption and temperature data since 2017 into account. Consequently, the reference load is calculated on an hourly basis under consideration of the actual temperature during the observation period. Comparing this baseline with the consumption actually measured results in the savings achieved during peak hours.

6. By how much MWh the gross electricity consumption during the identified peak hours has been reduced between 1 December 2022 and 31 January 2023? Please specify a range: 1-4%; 4-7%; 7-10%; above 10%.

First calculations indicate savings of gross electricity consumption during the identified peak hours in the range 4-7%.

7. Please explain how the measures taken to achieve demand reduction in application of Articles 3 and 4 fulfil the conditions set out in Article 5.

**The measures shall be clearly defined, transparent, proportionate, targeted, non-discriminatory and verifiable (Art 5).** The measures to achieve the demand reduction are clearly set out and defined in the SVRG, the aforementioned Austrian federal act implementing the electricity demand reduction requirements in connection with Article 4 and 5 of Regulation (EU) 2022/1854 (see answer to question 3). By this, those measures are made publicly accessible and transparent. The SVRG foresees voluntary measures as well as a competitive bidding process, which can be conducted only if and when there is a remaining reduction volume necessary to enable a consumption reduction of 5 % in the

respective peak period, making the SVRG a proportionate measure to achieve the demand reduction target set out by Art 4 of Regulation (EU) 2022/1854. The measures taken are targeted, since they specifically aim to achieve the 5 %-reduction and include a 2-step-approach to ensure this, as well as clearly state the respective target groups (e.g. demand reduction calls to the general public, temperature reductions in public buildings, etc – see measures listed in the answer to question 1 above). There are no restrictions regarding the target groups of the measures, as they are open to all electricity consumers able to provide consumption reduction within the Austrian power system. Therefore, the measures are non-discriminatory. The actual demand reduction will be monitored closely by the Austrian TSO, APG, so all measures taken to achieve said reduction are measurable and verifiable.

**Where financial compensation is paid in addition to market revenues, the amount of that compensation shall be established through an open competitive process (Art 5 lit a).** The SVRG provides for exactly this (see also the answer to question 3 above). If the 5 % reduction of electricity consumption is not achieved by voluntary measures, a competitive bidding process is conducted to incentivise demand reduction. There, the necessary consumption reduction volume will be tendered. Beneficiaries will be selected based on the lowest unit cost of additional peak consumption reduction (in EUR/MWh), to cover the tendered volume at the lowest cost.

**Only involve financial compensation when such compensation is paid for additional electricity not consumed compared to the expected consumption in the hour concerned without the tender (Art 5 lit b).** Beneficiaries selected through the tender mentioned above must declare their “counterfactual consumption” (i.e. their planned consumption level if they are not called to deliver a reduction in consumption under the measure) before the potential activation period. The counterfactual consumption forecast must reflect expected energy prices, any incentives from other support payments and schemes, and forecast weather conditions. After the peak period, for which beneficiaries have been called to deliver a reduction in consumption, they must then submit evidence of the actual additional peak consumption reduction achieved (e.g. based on electricity metering during the considered peak period). Beneficiaries are subsequently remunerated based on the achieved additional peak consumption reduction. If the achieved additional consumption reduction is significantly below the commitment, or if the consumption forecast deviates significantly from the actual consumption for potential delivery periods not considered as peak hours, an additional penalty may also apply. Additionally, if the beneficiary delivered less than 75 % of the additional consumption reduction requested, the beneficiary is excluded from the two subsequent tenders for additional consumption reduction.

**Not unduly distort competition or the proper functioning of the internal market in electricity (Art 5 lit c).** The competitive bidding process for additional reduction of electricity consumption is a market-based measure that strives to incentivise a reduction of consumption in an economically efficient manner. By calling for submitted bids 48 hours before the demand reduction will take place and obligating bidders to inform their energy suppliers immediately thereafter, the market function of providing system stability is not adversely affected. Also neither, for example, the market access nor

the cross-border exchange of electricity are affected by the SVRG in any way. Due to the correspondingly long lead time, effects on the regular markets (day-ahead, intraday or balancing) are unlikely.

**Not be unduly limited to specific customers or customer groups, including independent aggregators, in accordance with Article 17 of Directive (EU) 2019/944 (Art 5 lit d).** All electricity consumers and aggregators (including behind-the-meter storage and behind-the-meter renewable generation, excluding behind-the-meter generation based on fossil fuels) able to provide additional consumption reduction within the Austrian power system are eligible to participate in the competitive bidding process, provided they fulfil the cumulative conditions below.

- They are able to forecast their electricity consumption and demonstrably reduce it below the consumption without the measure. Each beneficiary must declare their consumption forecast three days before the potential activation period (see below);
- They have or commit to install appropriate electricity metering before delivering any consumption reduction, i.e. their electricity meter meters separately electricity consumption under each peak period from the rest of electricity consumption;
- They are able to reduce consumption additionally by at least 2 MWh during the peak period. For aggregators, this requirement is assessed for the overall aggregated demand;
- They commit that the peak consumption reduction will not lead to any increase in their gas consumption, compared to their gas consumption without the measure;
- They commit that the peak consumption reduction will not lead to any increase in their electricity consumption during any other potential activation period;
- If the peak consumption reduction leads to increase consumption outside all potential activation periods (“off-peak consumption”), they commit to increase this off-peak consumption by no more than 150 % of the additional peak consumption reduction delivered.

**Not unduly prevent the process of replacing fossil fuel technologies with technologies using electricity (Art 5 lit e).** The measures provided by the SVRG are designed so as not to undermine the electrification objectives set nationally as well as by the European Union. Overall, additional electricity consumption is neither penalized nor discouraged – on the contrary, any reduction of electricity consumption is either voluntary or financially remunerated. The main goal is to target peak electricity consumption, not to hinder electrification in general.

## **Cap on market revenues and distribution of surplus revenues and surplus congestion income revenues to final electricity customers**

The questions in this section cover Articles 6, 7, 8, 9, 10 and 11.

Questions regarding how the inframarginal revenue cap has been implemented:

8. What is the actual level of the cap (per technology if applicable)?

140 EUR/MWh for all technologies. There is, however, the option, to take investment and operating costs of power generation into consideration, if those costs demonstrably exceed the cap for a generator (in accordance with Art 8(1)b of Regulation (EU) 2022/1854). This has to be proven by the generator; then, those investment and operating costs plus a mark-up of 20 % can be set as this generator's cap.

9. When the cap has been set at a higher level than 180 eur/MWh, please provide justification for the cap level.

This is not the case, as the cap has been set at 140 EUR/MWh (see above).

10. What is the period of application?

December 1<sup>st</sup>, 2022 to December 31<sup>st</sup>, 2023.

11. Does the cap apply to all market timeframes (i.e.: forward, day-ahead, intraday and balancing)?

The cap does not apply to revenues obtained from the sale of electricity in the balancing energy market. Apart from that, the cap is applied independently of the market timeframes of regular trading and affects operators of a power generation plant with an installed capacity of more than 1 MW.

12. Does the cap apply to 100% of revenues?

The cap on market revenues applies to 90 % of the market revenues exceeding the cap.

13. Does the cap apply also to traders?

The cap is applied to realized income resulting from the sale and the supply of electricity in the Union, regardless of the contractual form in which this exchange takes place.

14. Which methodology do you use to apply the cap on future transactions? (proxy, at settlement/after settlement, based on declaration, others)? Based on hourly prices, daily or monthly averages, others?

The assessment basis for determining the cap is the sum of the monthly surplus from the sale of electricity. The assessment basis also includes the result of derivative contracts if there is a positive difference between the market proceeds and the cap. The decisive factor here is the realised income for the sale and delivery of electricity in the Union, irrespective of the contractual form in which this exchange takes place

15. Which methodology do you use to apply the cap on existing hedges in place? (proxy, at settlement/after settlement, based on declaration, others)? Based on hourly prices, daily or monthly averages, others?

See the answer to question 14 above.

16. How does the implemented measure deal with existing power purchase agreements?

See the answer to question 14 above.

17. Please specify which measures have been adopted to use the surplus revenues in application of Article 10.

In application of Article 10, surplus revenues will be used to (partly) cover the costs for energy crisis-related relief measures, in particular those, which have been announced after the adoption of the 2023 Federal Budget. In this context, the following measures have e.g. to be taken into account:

- Prolongation of energy cost subsidy I and II for firms, covering the period Oct.-Dec. 2022 and Jan.-Dec. 2023 respectively,
- Living and heating grant (transfer to the states): 450 mn € in 2023
- Cushioning network loss costs for low-income households: 210 mn. € in 2023
- Extension of protection against eviction

18. Have you encountered any challenges regarding the implementation of the cap on market revenues? If so, could you explain what those challenges are and what measures have you taken to address them?

One of the main challenges in connection with the implementation were the time constraints.

Questions regarding the effect and results of the inframarginal revenue cap:

19. What amount of surplus revenues was initially expected to be collected?

Surplus revenues are expected to be around 48 million Euros for December, based on obligatory feedback from affected electricity generators. In any case, this amount is a preliminary estimate, since on the one hand the national legal basis for possible deductible amounts is not yet available and on the other hand the deductible amounts for balancing energy according to the schedules of the Austrian market model are not yet available at the time of reporting. However, these numbers are not expected to be representative for other months due to seasonal effects and a low water supply with correspondingly low production from hydropower. The exact calculation methodology has still to be set in force through a national implementing act.

20. What amount of surplus revenues has been collected up to date? (total EUR and EUR/MWh)

No surplus revenues have been collected so far, as in the national implementing act – the Austrian federal act “Bundesgesetz über den Energiekrisenbeitrag-Strom (EKBSG)” (Energy Crisis Electricity

Contribution Act) – the due date for the collection of surplus revenues amassed in the timeframe between December 1st, 2022 and June 30th, 2023 is September 30th, 2023.

21. Has the measure had any impact on the cross-border flows?

So far, no significant effects of the measure on the cross-border flows could be determined.

22. Have you detected any potential change of bidding behaviour of market participants, or of the liquidity on organised markets?

Apart from reduced liquidity further down the curve, no change in bidding behaviour was detected.

23. Have you been reported any relevant impact on power purchase agreements or as regards the conclusion of forward hedges?

There has been a major shift from OTC to exchange traded forward markets. Whereas in the past the typical share of OTC in electricity was around 60 % and 80 % in gas, in 2022 the share of Austrian market participants was 30 % and 50 % respectively.

## Retail measures

The questions in this section cover articles 12 and 13:

24. Are there any public interventions in the price setting for the supply of electricity to small and medium sized enterprises pursuant to Article 12? If that is the case, how does the measure take into account the beneficiary's annual consumption over the last five years? Are these public interventions set below cost as allowed under Article 13?

Austria did not apply public interventions in price setting for the supply of electricity to small and medium sized enterprises pursuant to Article 12 of Regulation (EU) 2022/1854.

25. Are there any public interventions in the price setting for the supply of electricity to households and microenterprises that are set below cost as allowed under Article 13?

There are no public interventions in the price setting for the supply of electricity to households and microenterprises that are set below cost as allowed under Article 13 of Regulation (EU) 2022/1854.

26. If there are public interventions that are set below cost as allowed under Article 13:

- a. What amount of consumption does the measure cover?
- b. How does the public intervention retain an incentive for demand reduction?
- c. How does the measure ensure non-discrimination between suppliers?
- d. How are suppliers compensated for supplying below costs?
- e. Are there any restrictions on the eligibility of suppliers to provide offers based on the public intervention?

See the answers to questions 24 and 25 above.