The Austrian Experience

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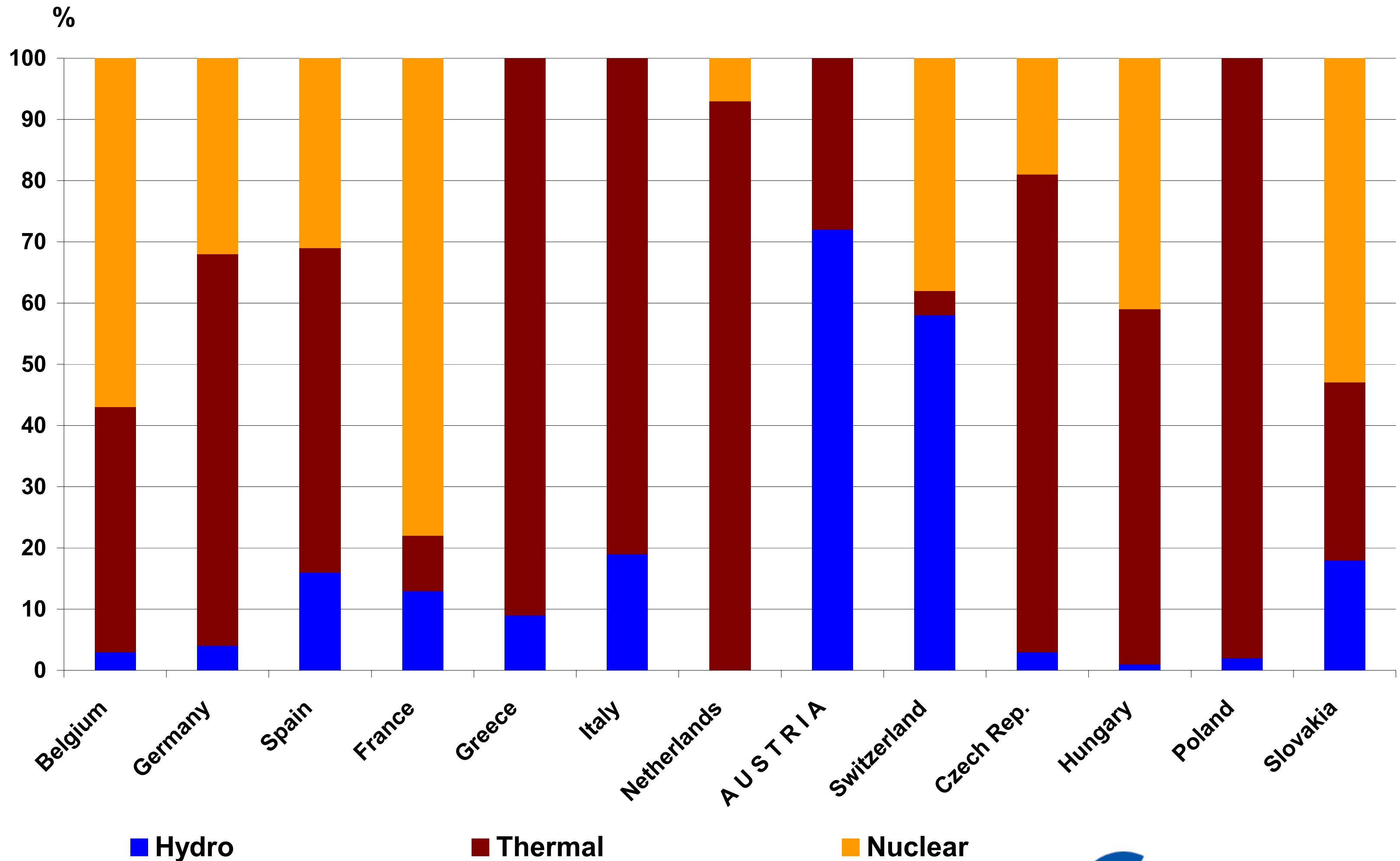
Agenda

- Some basic information
- Consumer protection and liberalised markets
- Market experiences

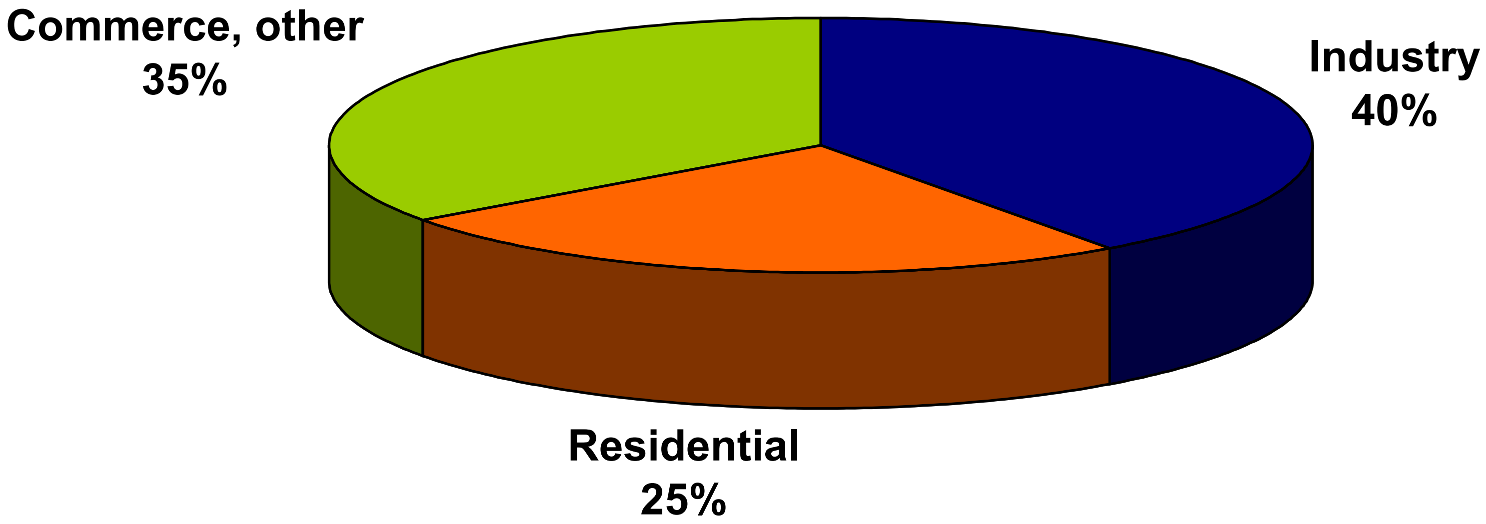
The Austrian Power System (1)

- Total installed power: 16.000 MW
- Total consumption p.a.: 60 TWh
- 3 control areas → Control Area Managers
  - „Austrian Power Grid“ – APG, also contol block
  - „Tiroler Wasserkraftwerke AG“ – TIWAG, part of the German control block
  - „Vorarlberger Kraftwerke AG“ – VKW, part of the German control block
- 155 Distribution Network Operators

Power Generation in Austria vs. Europe



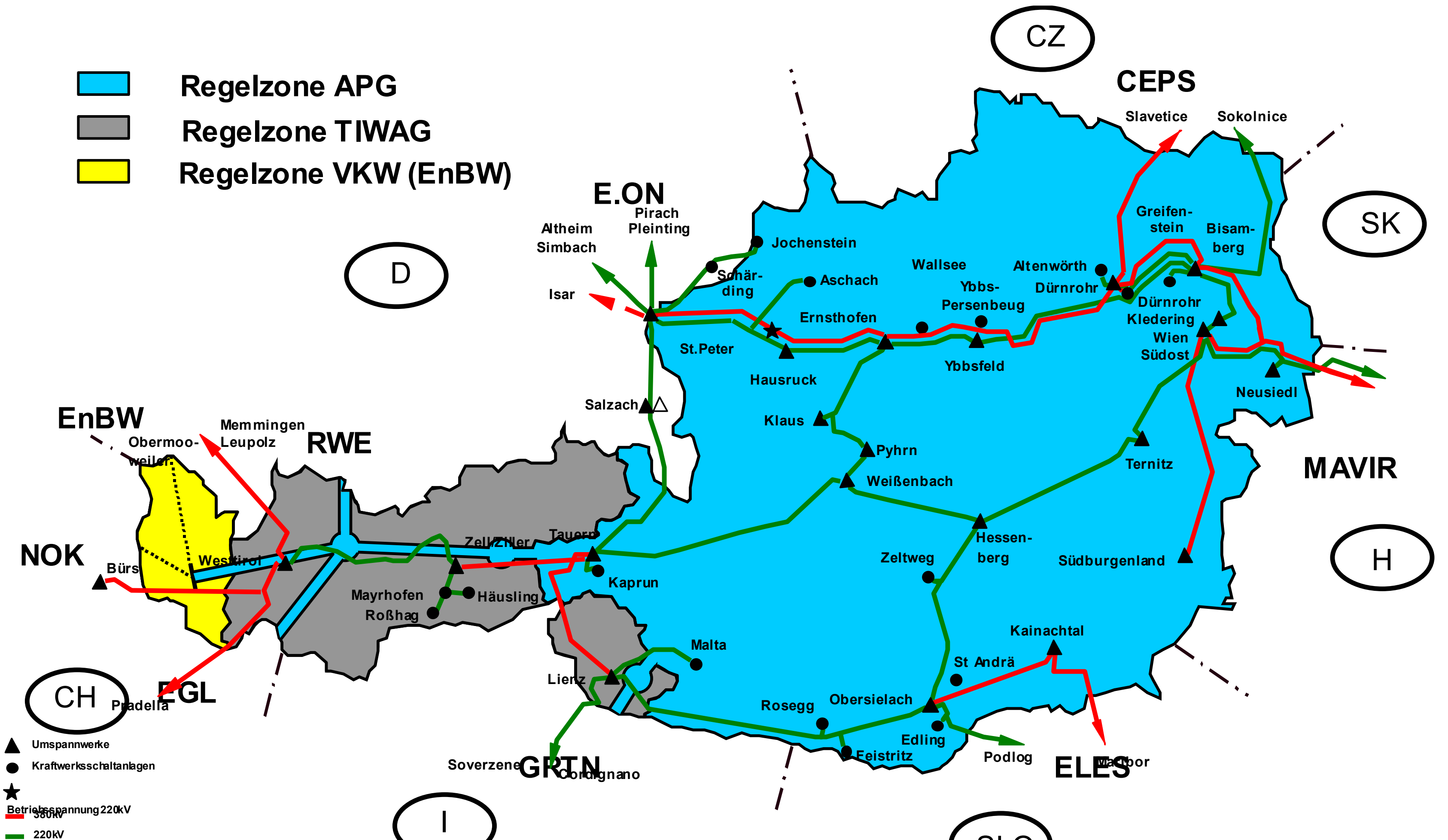
Power Consumption in Austria



The Austrian Power System (2)

- Strong interconnection & exchange with Germany
- High export to Italy, often congestion on interconnection
- Significant transit, mostly from CENTREL to Italy
- Future increase of southern interconnection needed (Slovenia, etc.)

The Transmission Grid



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Liberalization in Austria

- Simple switching without any cost to customers
- Full retail liberalization for all electricity (since 1.10.2001) and gas (since 1.10.2002) customers
- Standard load profiles for small customers
- Price transparency through E-Control tariff calculator
- Regulation for network tariffs only – generation and retail not regulated
- Balance group model with day ahead balancing energy market

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- **Consumer protection and liberalised markets**
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There is no ideal world..

- **Vision**: in a world of perfect competition with no transition cost and equally distributed information, those who intend to take advantage on customers, will be punished by the market

- **Reality**: Market participants use uncompetitive techniques to distort this ideal word by a number of ways

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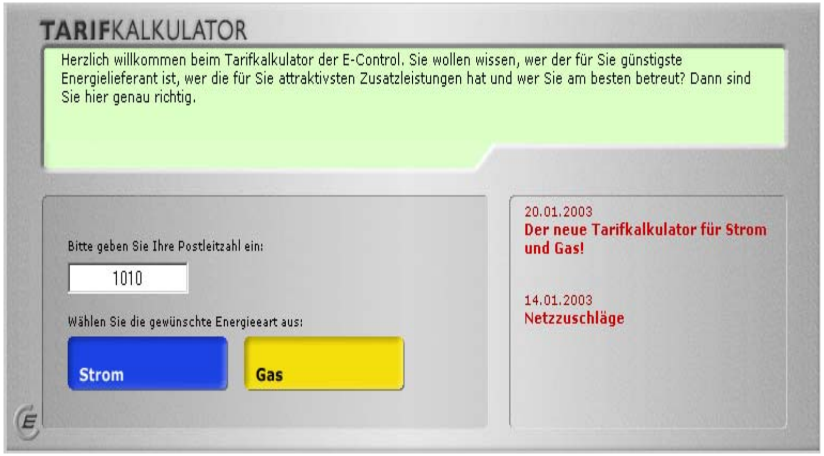
Transparency is needed

- Energy retailers (particularly incumbents) tend to hide price information and make prices as intransparent as possible to prevent customers from efficient price comparison

- E-Control‘s answer:
  - Web based energy price calculator for retail customers and small businesses
  - Compilation of international price comparison for all customer segments
  - Broad information on price issues through mass media

Competition enhanced by transparency



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Disputes must be settled

- Utilities might distort information towards customers or not dealing with them in an appropriate way. They also might overcharge or supply them at an unsatisfactory quality level

- E-Control‘s answer:
  - Official dispute settlement service for retail customers at no cost
  - 50 cases handled in 4 months, >500 inquiries
  - Co-operation with other consumer protection agencies

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Supply must be guaranteed

- Utilities might use their cash flow from the network tariffs in an unacceptable way(e.g. for retail) thereby decreasing the level of security of supply
- Furthermore Utilities might refuse to supply „risky“ customers
- E-Control‘s answer:
  - Establishment of an incentive regime to guarantee an appropriate service level
  - Pre-paid metering for „risky“ economically handicapped customers
  - Coordinated approach for handling “hardship cases” e.g. single mother with no heating,…..

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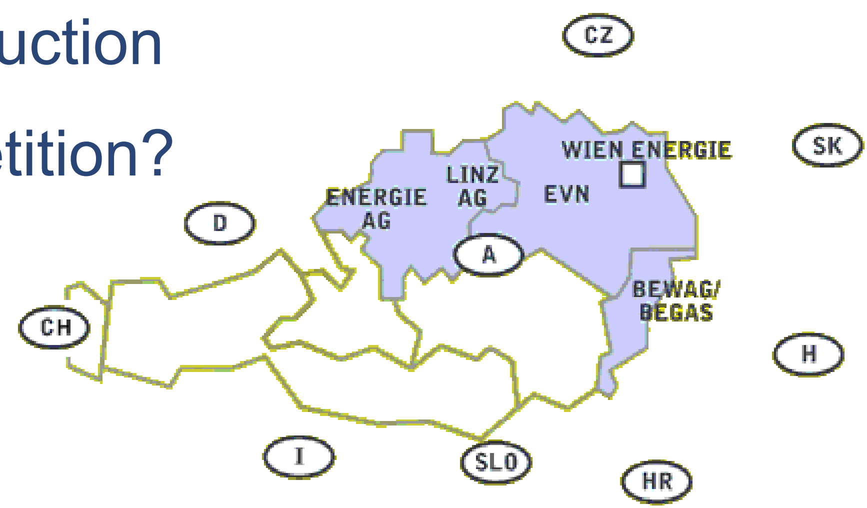
Market concentration must be examined

"Energy Austria" is an intended trading and supply venture of 5 regional electricity providers and the largest producer in Austria:

- covers some 60 % of large electricity customers
- accounts for 75 % of production
- What about supply competition?

ENERGIE ALLIANZ AUSTRIA + Verbund



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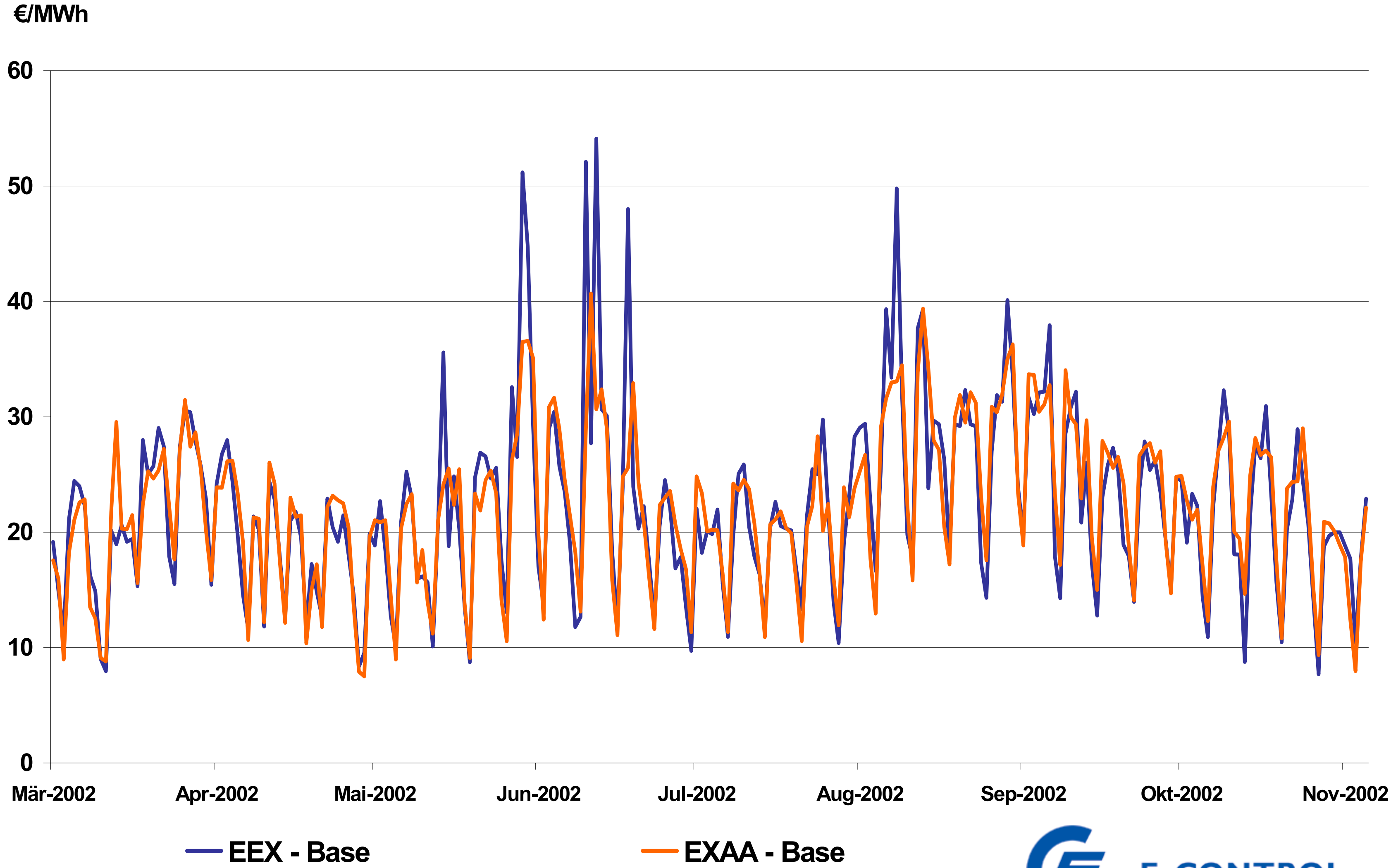
Emerging Austrian wholesale market

- relatively liquid spot and forward markets
- approx. 20 traders
- mainly physical products
- large trading volumes
- OTC and exchange trading (EXAA)
- convergence with Germany and Switzerland

Convergence between wholesale markets Austria and Germany (Day-ahead Base)



Competition on retail markets

- Simple switching process
- New retail brands
- strong local players
- Relatively low margins
- Modest switching behaviour
  - 60,000 customers with new supplier
  - Switching rate:
    - 1 % of residential customers
    - 3% of businesses
    - 13 % of industry customers

switch energy for life

EnBW Austria

AAE NATURENERGIE

oekostrom

Raiffeisen Ware Wasserkraft

MyElectric der springende Punkt beim Strom

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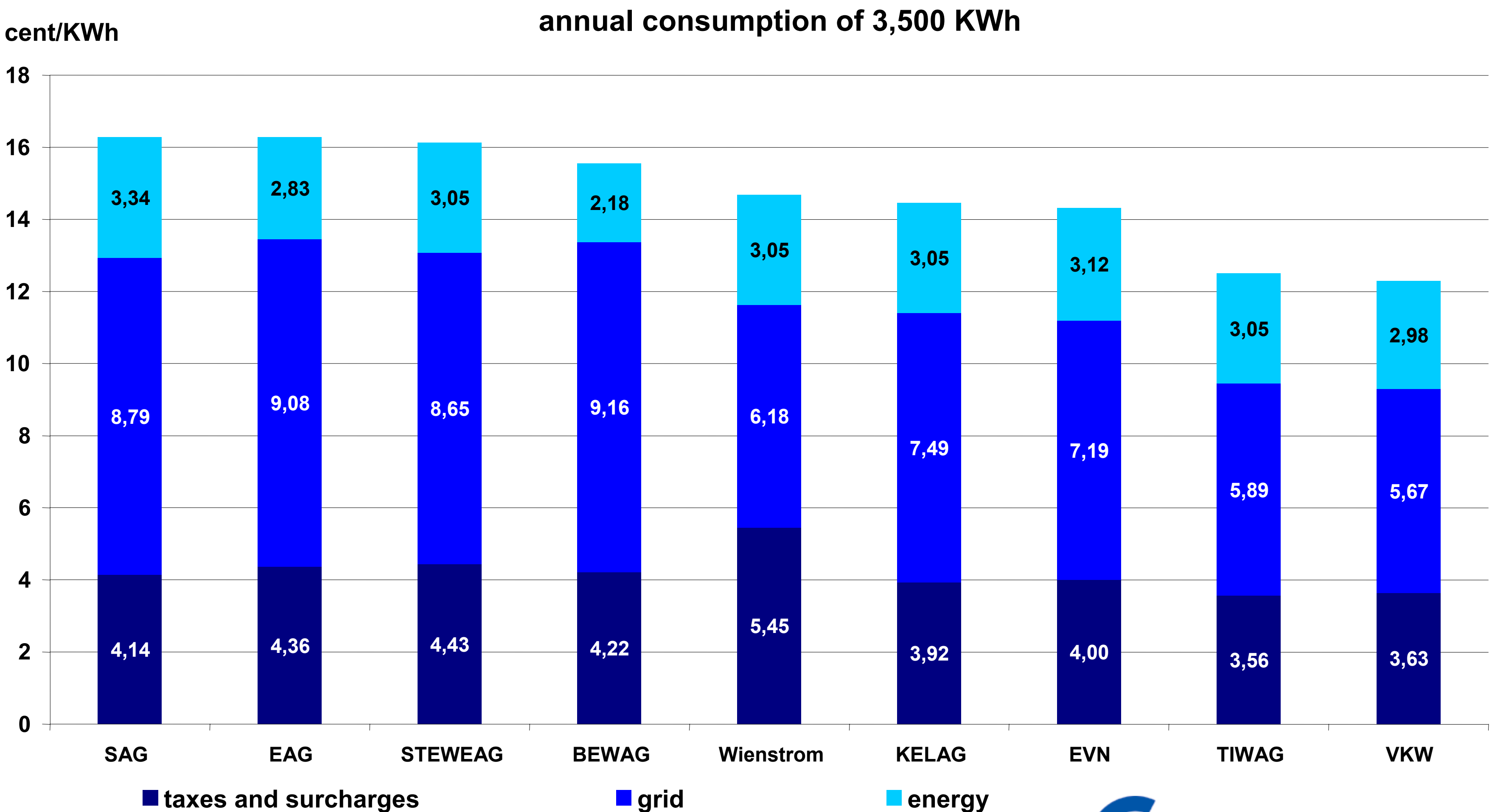
Components of domestic prices



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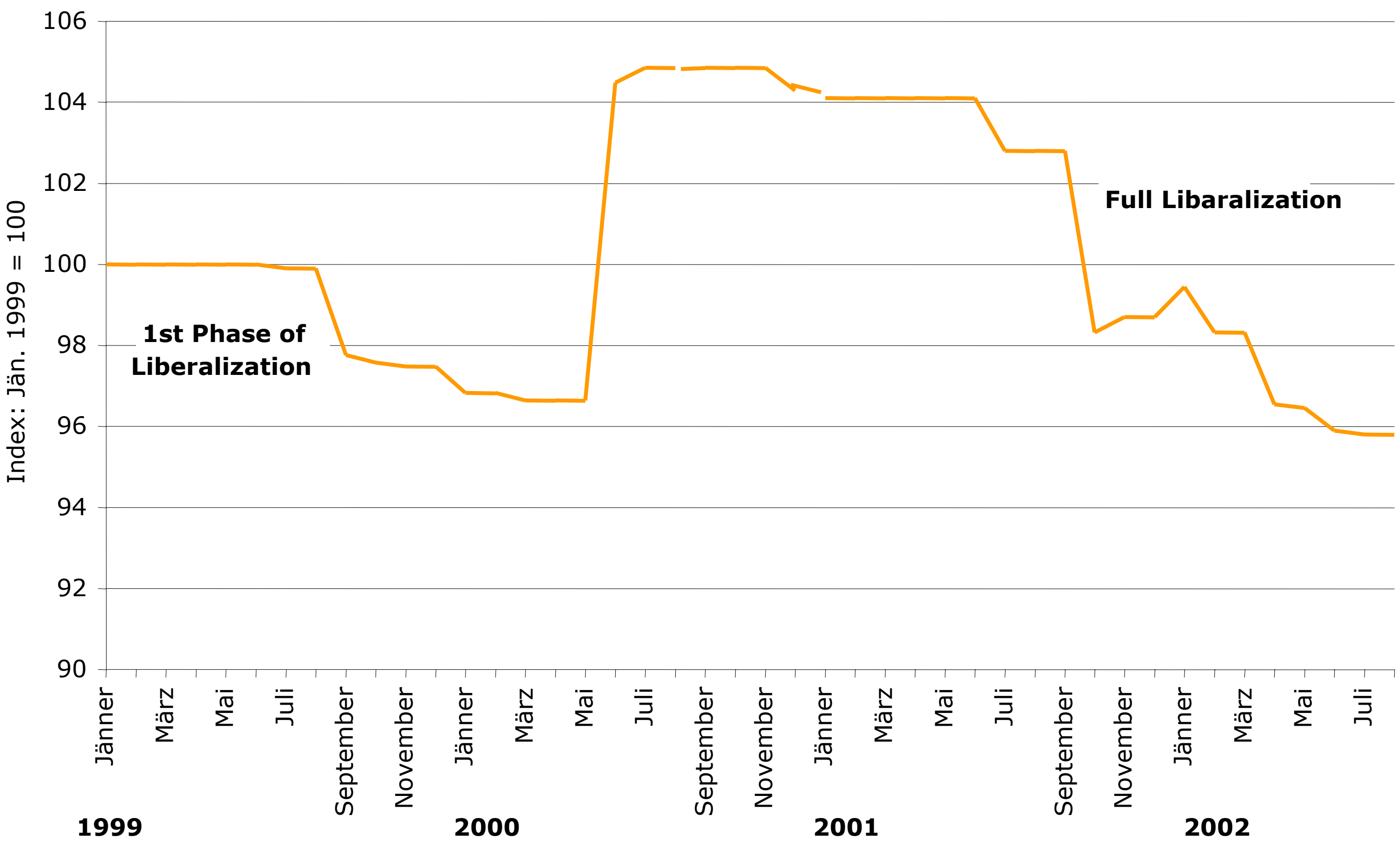
Nominal development of houshold prices



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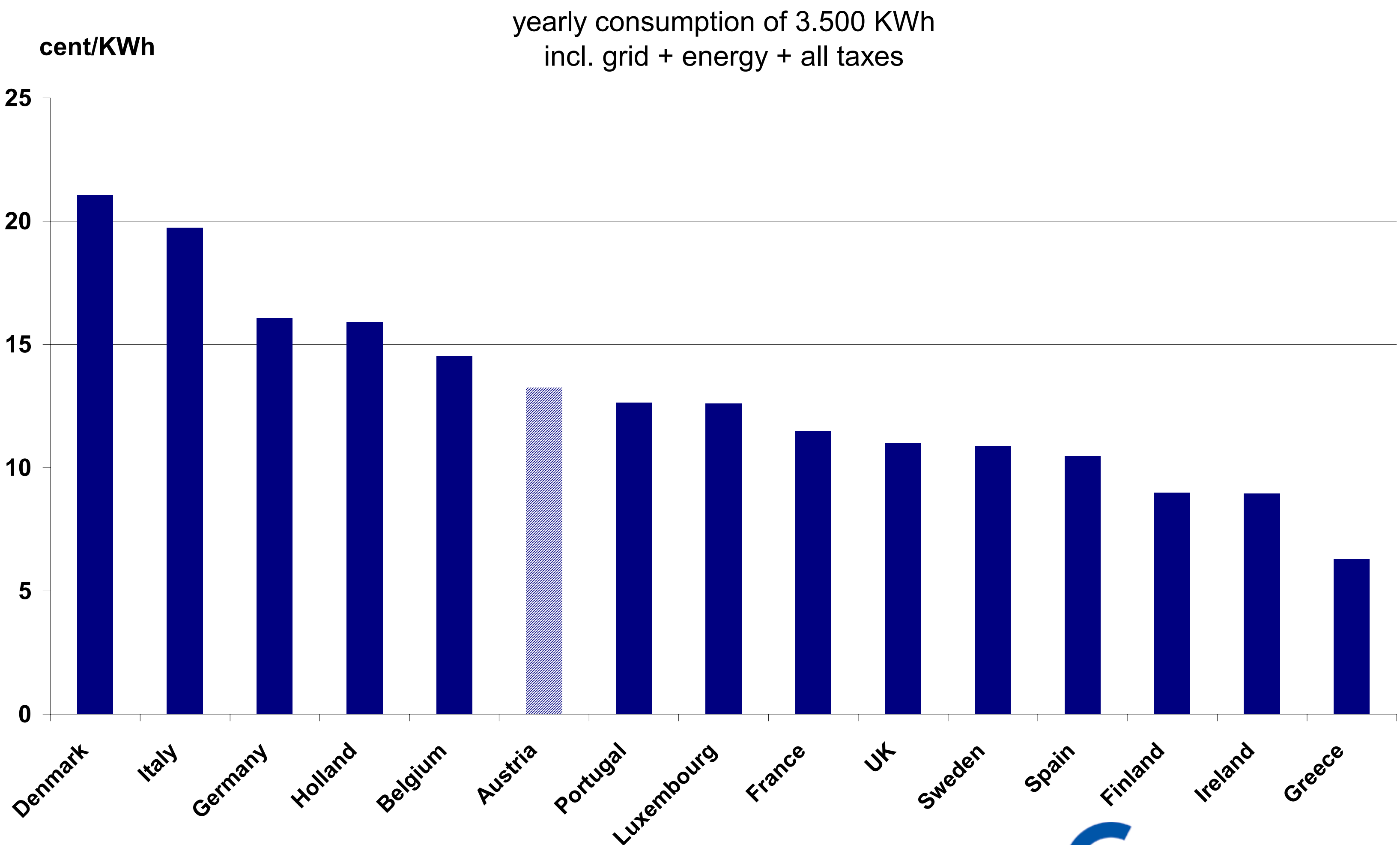
International domestic price comparison



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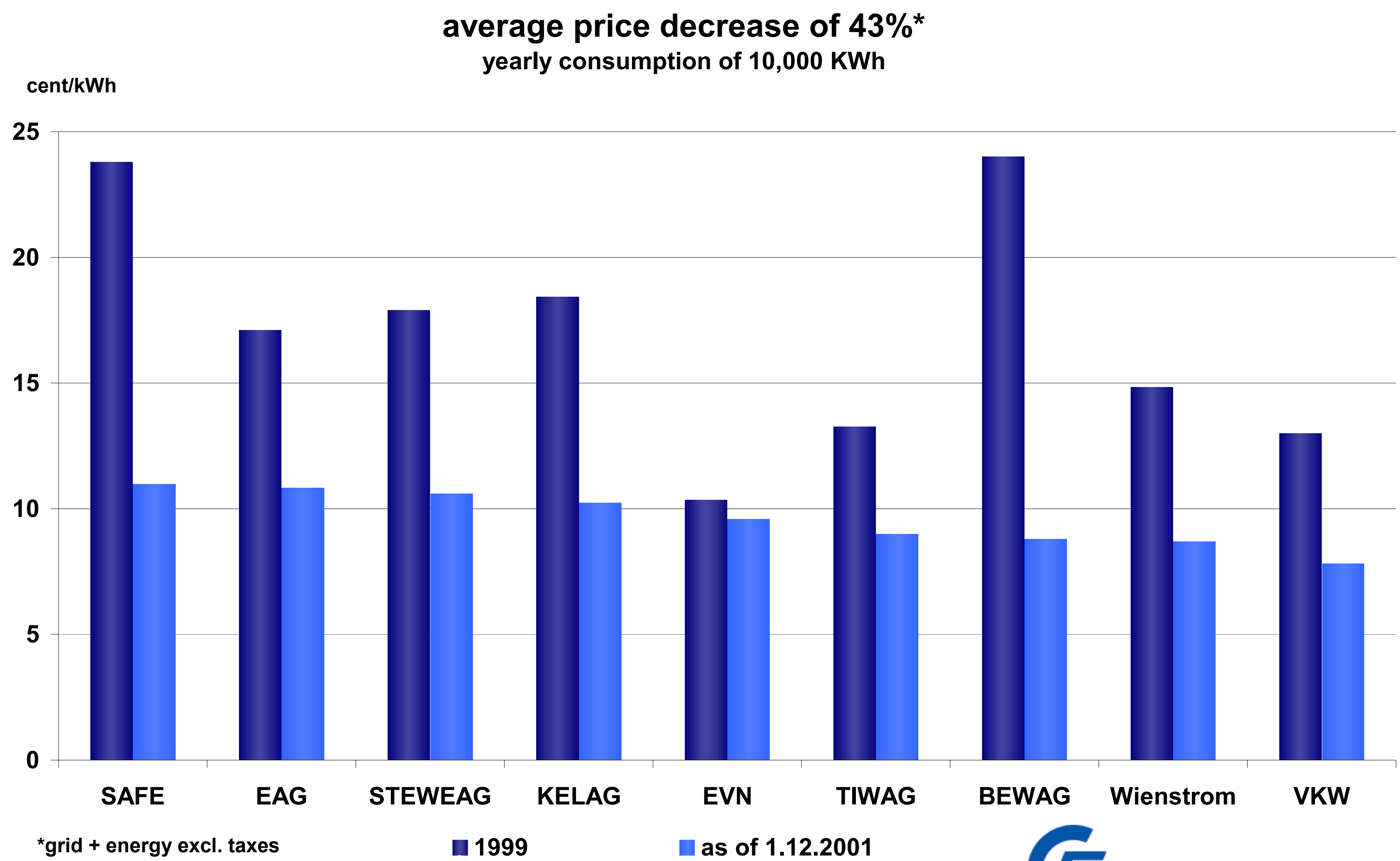
Development of SME prices



*grid + energy excl. taxes

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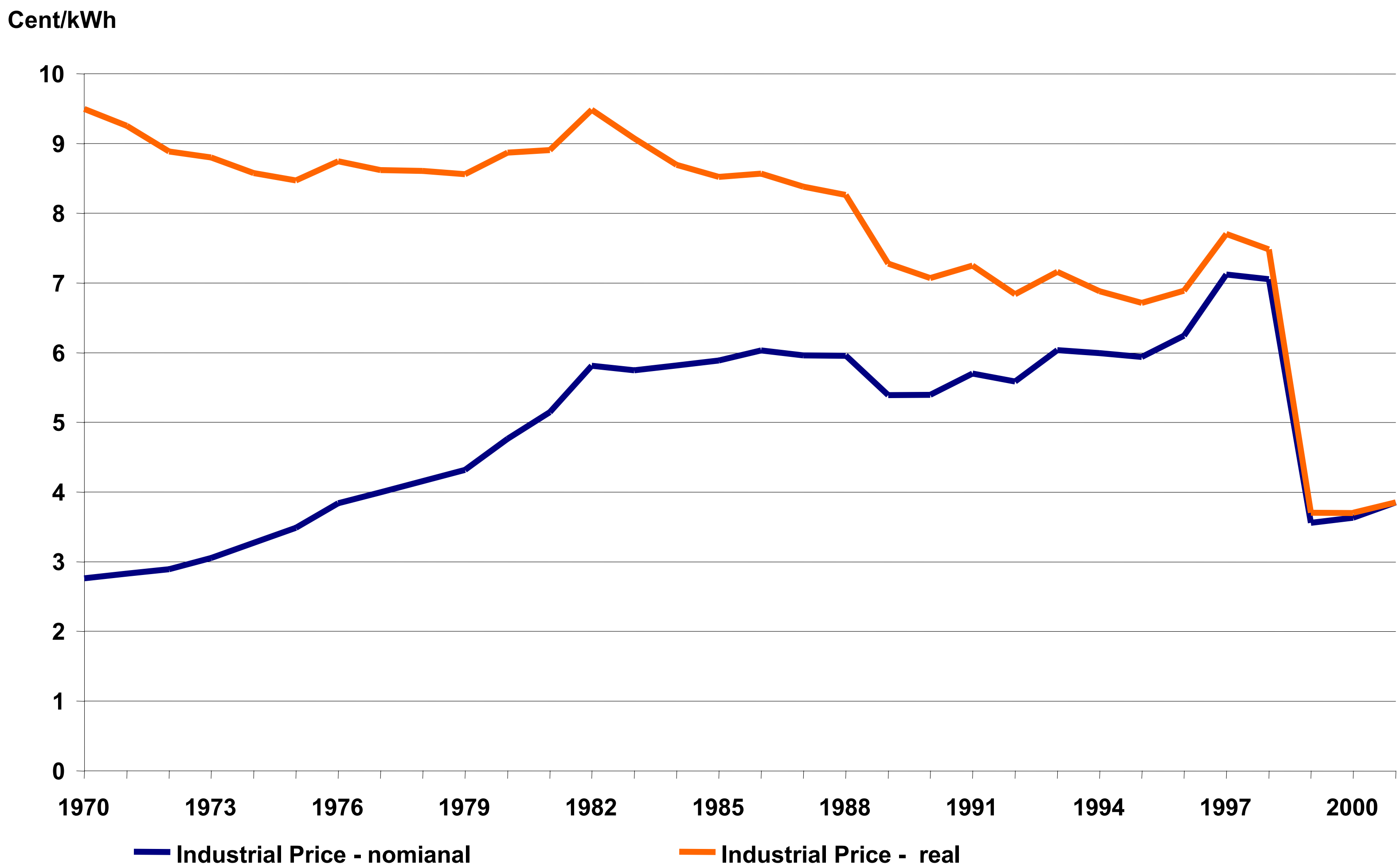
Development of industrial prices



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Ongoing and future projects of the regulator

- Further reduction of network tariffs
  - Incentive based regulation
  - New tariff structure
- Improvement of market rules and regulations
- Transparent capacity procedures for cross border constraint
- Security of supply planning
- On-the-spot support for retail customers
  - Open days

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