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Core tasks of THE

Control energy management

- The MAM is responsible for the physical balancing of the networks in its market area.
- The physical balancing is carried out through the use of balancing energy (purchase/sale of gas quantities)
- balancing energy is procured according to a defined merit order with a focus on exchange-based control energy procurement.

Balancing group management

- Balancing group contracts form the basis for supplying end customers or trading in the market area
- The entire virtual transport of gas quantities (gas trading) as well as the physical flows via the entry and exit points are handled by balancing groups. In the balancing groups, all entries are compared with the exits and a balance is formed at the end of the day.

Operation of the Virtual Trading Point

- A "Virtual Trading Point" (VTP) serves to transfer gas quantities between traders

Enlargement tasks THE 2022

03.2022
THE receives € 1.5 billion from federal government for purchase + storage of LNG

30.04.2022
Entering into force Amendment EnSiG („Gas storage act“)

01.06.2022
Entering into force gas storage filling ordinance

12.07.2022
Entering into force Amendment EnSiG („price adjustment rights“)

29.07.2022
Entering into force gas storage filling level ordinance

09.08.2022
Entering into Force gas price adjustment ordinance → §26 EnSiG

…

01.04.2024
End of the balancing period from gas price adjustment ordinance

01.04.2025
Expiry of filling level requirements pursuant to EnSiG

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New tasks of THE according to the Gas Storage Act (Amendment EnWG)

Amended EnWG sets filling level requirements for gas storage facilities

- 1 October 80%
- 1 November 90%
- 1 February 40%

Increased by decree
85% bzw. 95%

Three-stage model for storage filling

- Primarily market-based filling, supplemented by SSBO tenders (option product obliging traders to inject gas and leave it in storage until at least 01.02.2023)
- If it is foreseeable that minimum filling levels will not be reached, additional measures will take effect.
- In the last step, THE can purchase and store physical gas itself.

Storage levy to cover costs

- Costs/revenues are passed on to the network users
- THE charges the balancing group managers in the market area for the storage levy

Time limit

- The Act is limited in time until 1 April 2025.

Implementation of the Gas Storage Act to date

- **Implementation of SSBO tenders**
  - A total of two SSBO tenders were conducted
  - The total tendered demand of the two tenders amounted to about 95 TWh.
  - The fixed costs (with regard to the service fee and performance price components) of the awarded lots amount to approximately EUR 850 million.
- **Filling of gas storage facilities according to stage 3**
  - Filling of 4 storage facilities so far, successively starting on 4 June 2022
    - Rehden
    - Wolfersberg
    - Katharina
    - EPE (only on a daily basis)
    - Nüttermoor
  - If necessary, filling of further storage facilities, close coordination with the authorities (BNetzA and BMWK).

New tasks of THE according to the Gas Price Adjustment Regulation (1)

Importers' payment claims and formation of the so-called "gas levy

- According to the gas price adjustment ordinance, certain importers are entitled to assert claims against THE.
- Prerequisites are, in particular, a considerable reduction of import volumes (contracts before 01.05.2002) and existing supply obligations towards customers (contracts before 09.08.2022).
- A total of 12 companies submitted forecast sheets to THE in due time, total volume approx. 34 billion EUR.
- In agreement with the authorities, THE has calculated a levy of 2.419 ct/kWh.
- The gas importer's own share of the additional costs to be borne is 10%.
- Currently intensive (political) discussion, e.g. regarding the entitlement of the 12 companies and the passing on of these costs by the suppliers to their customers.

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New tasks of THE according to the Gas Price Adjustment Regulation (2)

- Exclusion periods:
  - Notification to THE within four working days from 09.08.2022 that such claims exist.
  - by the fifth working day of a month (for the first time within four working days from 09.08.2022), submission of a forecast of the expected amount of balancing claims for the remaining part of the balancing period, including the values on which the expected amount of the balancing claims is based.
- Gas importers are entitled to submit applications for advance payments on the balancing entitlement for the following month to the MAM by the 15th working day of a month.
- MGV allocates costs to all RLM and SLP exit points by means of a gas procurement levy.
- MGV can adjust gas procurement levy if necessary (interval between adjustments should be at least 3 months).
- Principle of cost and revenue neutrality of the gas procurement levy
- Surpluses/shortfalls shall be taken into account vis-à-vis the BKV in proportion to the total apportionment payments made by them up to and including 30 September 2024; surpluses from subsequent repayments by the gas importers shall also be taken into account after expiry of this period.
- MGV is obliged to keep a separate levy account, to determine/document costs + revenues in a transparent, non-discriminatory manner that is comprehensible to knowledgeable third parties.

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New tasks of THE according to the Gas Storage Act (Amendment EnWG)

- **Neutrality account to cover the costs of achieving the statutory minimum filling requirements**
  - Levy period: 01.10.2022 - 31.03.2025
  - Duration of levy period generally 6 months (exception: first and last levy period 3 months)
  - For the first levy period (01.10.2022 - 31.12.2022), the gas storage levy is 0.59 €/MWh.
  - Storage surcharge is levied on SLP, RLM and cross-boarder points as well as virtual interconnection points
  - Principle of cost and revenue neutrality of the storage levy
  - MGV considers the entire period under consideration for the distribution of costs
  - MGV may levy appropriate instalments on BKV.
  - Distribution of surpluses, if applicable
  - Publication obligations:
    - Storage levy: six weeks before the start of the respective levy period
    - Calculation basis/system for forecasting the storage levy incl. methodology for determining the distributions
    - Monthly balance of the levy account (cost and revenue items)
- **Contractual design of the Strategic Storage Based Options (SSBO) in the context of Level 1**
  - Level 1 SSBO product comprises two contract components:
    - Contract component 1: Single-storage commitment with proof of filling level on a specific reporting date
    - Contract component 2: Guaranteed provision of a partial quantity for call-off by the MAM at any time (call-off option).

Background LRD product

- Trading Hub Europe GmbH (THE) was commissioned by the Federal Ministry of Economics and Climate Protection and the Federal Network Agency to develop an additional control energy product.
- The additional control energy product, called Load Reduction (LRD), focuses in particular on activating the disconnection potential of industrial consumers for the use of control energy and thus enables industrial consumers to offer their demand-side potential to the market area manager (MAM) as external control energy at any time (system buy).
- The LRD product is to be implemented within MOL rank 4.
- The product parameters as of 8 July 2022 were published on THE's website.
- The corresponding product description was published on 7 September 2022.
- Balancing energy providers should be able to submit offers for the LRD product in the THE Balancing Services Portal as early as mid-September 2022.
- THE will call for offers for the LRD product at the earliest for performance periods from 1 October 2022.

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Balancing gas product „Load Reduction“ (1/2)

	LRD product in MOL rank 4
provider	Balancing group manager (in the role of prequalified control energy provider)
description	Short-term offers for the provision of gas quantities (system buy) to the MAM at one or more power metered exit point(s) (RLMoT or RLMmT). Double marketing is not permitted
tendering procedure	Input mask is permanently open (no separate invitations to tender take place, but activation of the market when a call is more likely)
Lot size	Variable, from 1 MWh/h
Call order quantity	Total offer
Delivery point	At the power metered draw-off point(s)
Classification in control energy zone	Classification in the control energy zone via the postcode of the power metered exit point(s)
Price mechanism	Daily price on call or commodity price in EUR/MWh, selectable by the supplier

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Balancing gas product „Load Reduction“ (2/2)

	LRD product in MOL rank 4
Lead time	Provider can select lead time
Indication of the number of days of retrieval	D to D+7, selectable by the supplier (in the case of a call, a single-sided nomination (VTP exit) takes place for all gas days in the balancing group concerned).
call	In the short term for the gas day currently under consideration
Call-off criterion	Regular product in MOL Rank 4

Merit Order List of balancing gas procurement

Rank				
1 Title Market Transactions	Balancing gas via the exchange in own market area (Products with fulfilment at the VTP)			
2 Title Market Transactions / Locational Market Transactions	Balancing gas via the exchange in own market area (Products with physical fulfilment restriction)	Balancing gas via the exchange in adjacent market areas (e.g. TTF)		
3 Locational Market Transactions				
4 Balancing Services	Short Term Balancing Services (STB)(products with fulfilment in defined balancing energy (sub-)zones)	Long Term Options (LTO) (Products with fulfilment in defined control energy (sub-)zones)	Short Call Balancing Services (SCB)(products with fulfilment in defined balancing energy (sub-)zones and/or at the storage facility)	Flexibility Services (FLEX)(products with fulfilment in defined control energy (sub-)zones and at the physical entry and/or exit point)

Ranking of the LRD product in the MOL rank 4

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Gas security platform - Regulatory background

- The EU and its Member States continue to work on measures to enhance security of gas supply.
- One of the aims is to provide solidarity-based support between the EU member states in order to protect their particularly vulnerable customer groups from the effects of extreme gas shortages in the event of a crisis.
- In connection with European crisis preparedness (EU Regulation 2017/1938, so-called SoS Regulation), Germany has already concluded bilateral solidarity agreements (DK, AT). Further agreements with neighbouring states are under negotiation.
- In Germany, the solidarity mechanisms are to be integrated into the context of national crisis management according to the Energy Security Act (EnSiG) and the Gas Security Ordinance (GasSV).
- The Federal Ministry of Economics and Climate Protection, the Federal Network Agency as the federal load dispatcher and Trading Hub Europe as the market area manager are currently developing a platform for setting and calling market-based offers and for handling state obligations in the event of solidarity.
- The platform is also to be used in a national gas shortage situation (EnSiG).

Field of application, functionality and operation of the platform

- Areas of application of the gas security platform:
  - Scenario 1: Procurement of gas quantities in a national gas shortage situation.
  - Scenario 2: Procurement of gas quantities on the basis of market-based offers at the request of member states (affiliated with Germany).
  - Scenario 3: Non-market-based procurement of gas quantities on request from (Germany-affiliated) Member States.
- The functionality of the gas security platform consists in the setting of market-based offers and the handling of state obligations in the event of solidarity or crisis.
  - Identification and procurement of gas quantities in a national gas shortage situation quickly, effectively and with the least possible impact (scenario 1).
  - A staged approach requires member states to first exhaust all market-based and other measures provided for in the contingency plan (scenario 2); only then can member states connected via pipelines request non-market-based solidarity offers (scenario 3).
- The gas security platform will be operated by Trading Hub Europe and provided as of 01.10.22.

Process handling [1 of 3]

The platform will include the following functionalities to handle the processes (rough representation):

1	Registration of end consumers ≥ 10 MWh/h and balancing group managers • All end consumers with a technical connection capacity of at least 10 MWh/h and all balancing group managers in the market area of Trading Hub Europe shall register on the platform.
2	Data entries by end consumers • Final consumers are to enter relevant data on the platform to identify a possible reduction in gas consumption. • Data relevant for the work of the Federal Network Agency as the federal load distributor are, for example, the costs of interrupting the gas supply, existing gas quantities and the social relevance of production. • In the actual case of use, the final consumers also have the opportunity to check or update their entered data. • In scenario 2, end consumers are to be enabled to offer gas quantities on a market basis.
3	Data entries of the balancing group managers • The balancing group managers shall enter data on further gas quantities available for the supply of protected customers (scenarios 1 and 3) or be able to do so (scenario 2).

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Process handling [2 of 3]

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Allocation of end consumers to balancing groups / sub-balancing accounts and networks via the market location (ID)

- The allocation of the final consumers' performance data to the balancing groups / sub-balancing accounts of the balancing group managers and the networks is to be carried out via the market location (ID).
- The network operators shall make this allocation available to the platform and update it continuously. The associated data communication shall be carried out via the market area manager.

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Implementation of a logic for the identification of a possible gas consumption reduction of the end consumers by the federal load dispatcher (scenarios 1 and 3).

- A logic is to be implemented according to which an efficient range of options for action to reduce gas consumption is proposed to the federal load dispatcher, taking into account the data entries of the end consumers.
- The order to reduce gas consumption in scenarios 1 and 3 is issued by the federal load dispatcher by means of orders.
- The gas quantities available through the gas consumption reduction are transferred to the federal load dispatcher. In scenario 3, these gas quantities are transferred from the federal load distributor to the requesting Member State.

Process handling [3 of 3

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Implementation of a logic for the decision for the summarised JIT call by Member State(s) (Scenario 2)

- A logic for the volume call-off in scenario 2 is to be implemented.
- In scenario 2, the setting of gas quantities for the following gas day is carried out by final consumers located in Germany with a technical connection capacity of at least 10 MWh/h as well as by balancing group managers on a market-based / voluntary basis.
- The requesting Member State(s) shall call off gas quantities directly from and in contractual relationship with the respective suppliers.
- The gas quantities contracted by the requesting Member State shall subsequently be transferred to the corresponding Member State.

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Implementation of the volume call (scenarios 1 and 3)

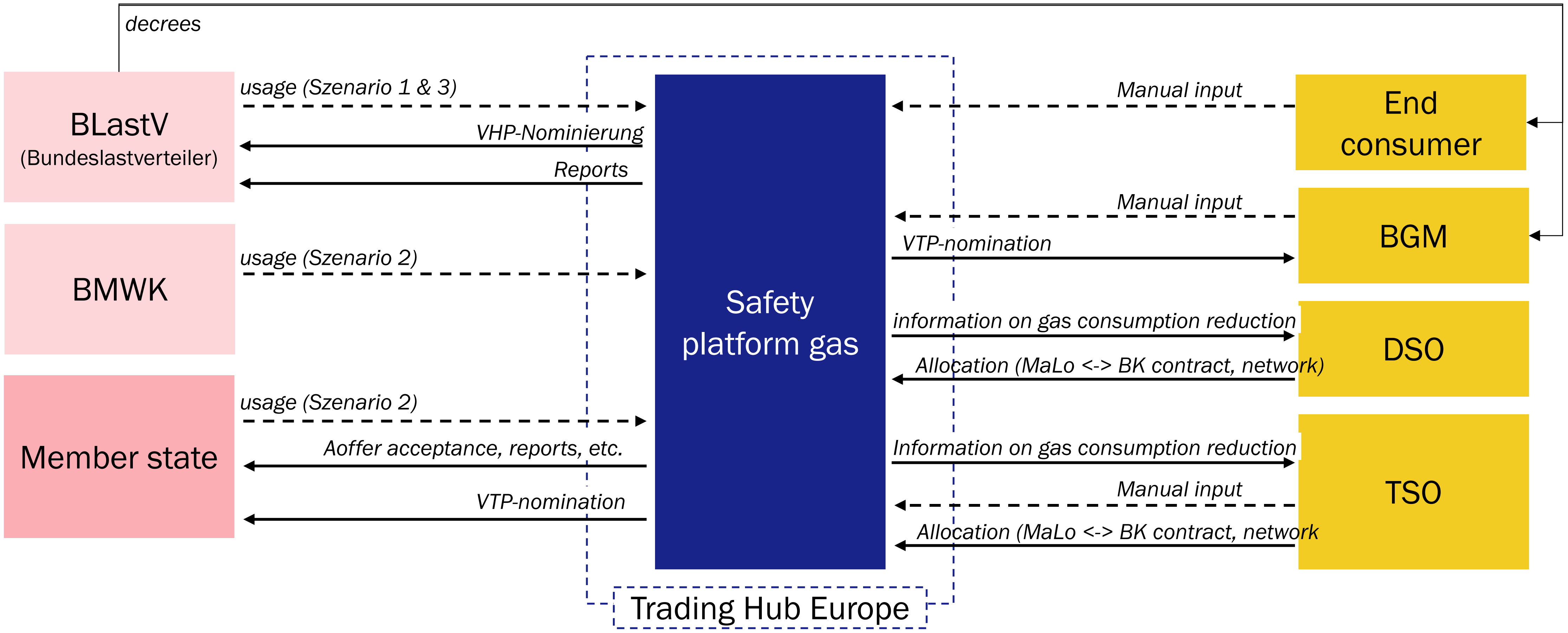
- In the actual case of use, orders from the federal load dispatcher to reduce gas consumption are to be sent to the end consumers via the platform.
- The balancing group managers in whose balancing groups / sub-balancing accounts the respective exit points of the final consumers are allocated receive a corresponding instruction to maintain the feed-in into the balancing group.
- In addition, the respective network operators in whose network area the respective exit points of the final consumers are allocated also receive information about the gas consumption reduction.

Legende:

E-Mail, Upload, Download

Manuelle Eingabe

Overview of the data flows



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Entgelte und Umlagen

	Until 1 October 2022	As of 1 October 2022
SLP balancing neutrality charge	0 EUR/MWh	5.70 EUR/MWh (0.570 ct/kWh)
RLM balancing neutrality charge	0 EUR/MWh	3.90 EUR/MWh (0.390 ct/kWh)
Conversion fee	0.45 EUR/MWh	0.45 EUR/MWh (0.045 ct/kWh)
Conversion neutrality charge	0 EUR/MWh	0.38 EUR/MWh (0.038 ct/kWh)
VTP fee	0.001 EUR/MWh	0.00148 EUR/MWh (0.000148 ct/kWh)
Gas storage neutrality charge	/	0.59 EUR/MWh (0.059 ct/kWh)

gas procurement neutrality charge : 24,19 EUR/MWh (2,419 ct/kWh)

Quelle: Pressemitteilungen THE vom 15./18.08.2022

LNG Procurement (1)

"Special order" from the BMWK in March 2022

- Against the background of the unclear situation after the start of the war, there was a political desire to procure additional LNG volumes at short notice as a replacement for potentially lost supplies of Russian natural gas.
- Commissioning directly from the BMWK, no regulation via law or ordinance
- THE was provided with special funds in the amount of EUR 1.5 billion
- THE procured a volume of around 10 TWh of LNG within a short period of time and had it stored in German natural gas storage facilities, mainly via an open tender procedure.
- These quantities are currently stored further, contractually secured until 31.03.2023 and are available to the federal government.

LNG procurement by THE (2)

- Non-discriminatory procurement on the basis of a framework agreement in the context of a competitive procedure (negotiated procedure without a call for competition)
- Subject of the framework agreement: regasification, transport, injection into UGS in the German market area (including the storage facility 7 Fields located in AUT)
- Structure of the procedure
- Application for qualification incl. submission of signed DNA (eligibility criteria: expertise, capability, reliability)
- Qualified applicants receive a draft of the framework agreement for review and, if necessary, comments (if necessary, negotiation talks on comments to the framework agreement take place)
- Final framework agreement is sent to bidders with a request to return a signed copy by the deadline.
- Award of contract to all bidders who have submitted a signed copy in due time by sending the countersigned framework agreement.
- THE awards individual contracts (presumably in several tranches of one cargo each (approx. 1 TWh gas) on the basis of the framework agreement.
- THE will award the contract to the most economical offer (lowest price: 60%, delivery date: 20%, withdrawal capacity: 20%).

Support in case of solidarity (SOS-VO)

- Objective: solidarity support between EU Member States to protect their most vulnerable customer groups from the effects of extreme gas shortages in the event of a crisis.
- In the context of the European crisis preparedness ((EU) Regulation 2017/1938, so-called SoS Regulation), DE has already concluded bilateral solidarity agreements (DK, AT). Further agreements with neighbouring EU Member States are under negotiation.
- In Germany, the solidarity mechanisms are to be integrated into the context of national crisis management according to the Energy Security Act (EnSiG) and the Gas Security Ordinance (GasSV).
- In the event that Germany requests solidarity from a neighbouring country, THE procures the quantities in these countries on behalf of the federal government and/or assists in transporting these quantities to Germany.
- In the event that Germany is called upon by a neighbouring country for solidarity, the BMWK, BNetzA as the federal load distributor and THE as the market area manager have developed a security platform gas (SiPla) for setting and calling market-based offers and for handling state obligations in the event of solidarity.
- The platform is also to be used in a national gas shortage situation (EnSiG).

Security platform / overview

- **Areas of application of the online platform:**
  - Scenario 1: Procurement of gas quantities in a national gas shortage situation (EnSiG).
  - Scenario 2: Procurement of gas quantities on the basis of market-based offers at the request of member states (affiliated with Germany) (SOS-VO).
  - Scenario 3: Non-market-based procurement of gas quantities at the request of Member States (associated with Germany) (SOS Regulation).
- **The functionality of the gas security platform consists in the setting of market-based offers and handling of state obligations in the event of solidarity or crisis**
  - Identification and procurement of gas quantities in a national gas shortage situation quickly, effectively and with the least possible impact (scenario 1).
  - A staged approach requires Member States to first exhaust all market-based and other measures foreseen in the emergency plan (scenario 2); only afterwards Member States connected via pipelines should be able to request non-market-based solidarity offers (scenario 3).
- **The gas security platform will be operated by THE and provided as of 01.10.22**