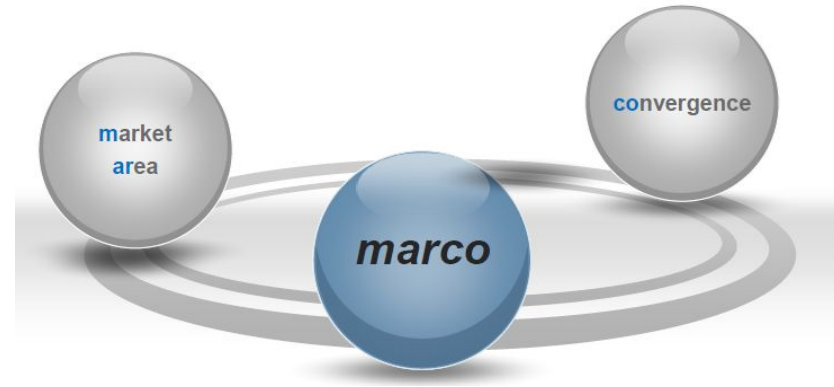


Market dialogue on market area merger

Berlin – Live Stream, 16 June 2020

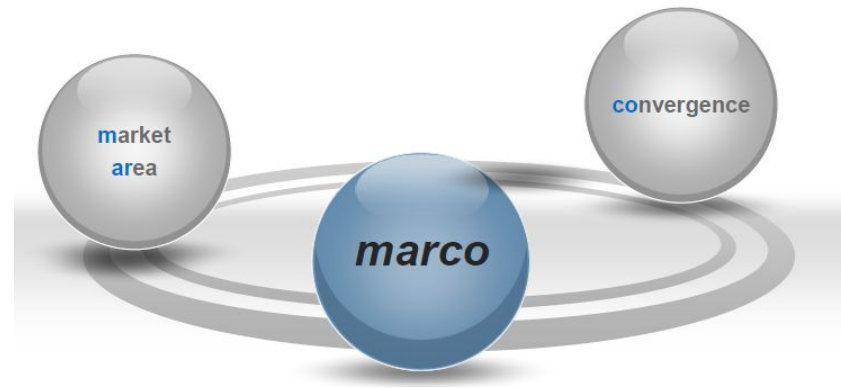


Welcome



Agenda of the 5th market dialogue

Time	Agenda	Speaker
1:00 p.m.	Welcome and introduction	Dr. Heiko Lohmann
1:15 p.m.	Kap+ and KOMBI	Jürgen Fuhlrott, Open Grid Europe GmbH
1:45 p.m.	The implementation project of the market area managers	Torsten Frank, NetConnect Germany GmbH & Co. KG Dr. Sebastian Kemper, GASPOOL Balancing Services GmbH
subsequently	Answer the questions, say goodbye and end of the event	

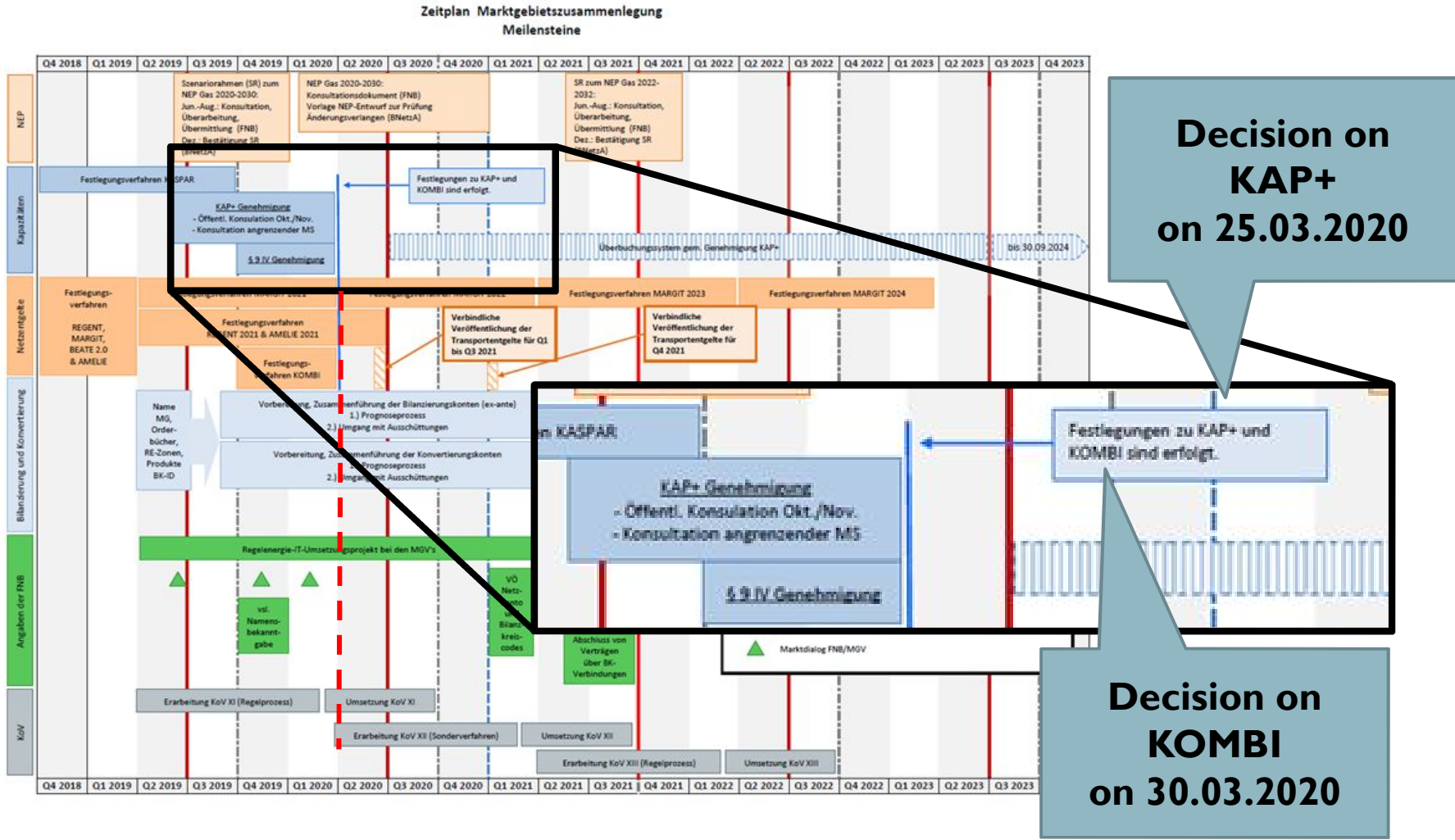


KAP+ and KOMBI

Objective achieved on time

KAP+ and KOMBI

Objective achieved on time



KAP+ and KOMBI

Highlights

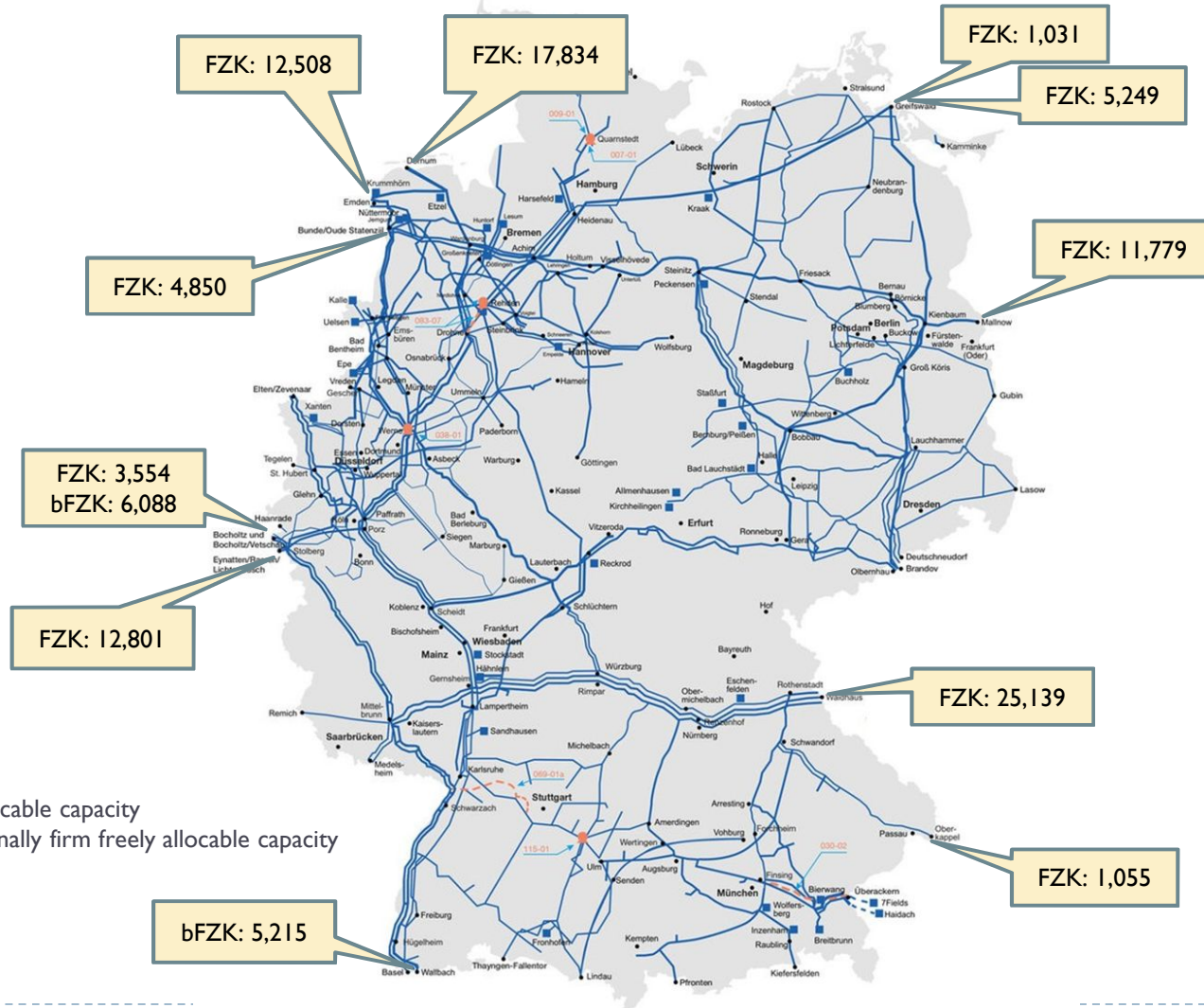
- Period: | Oct. 2021 – 30 Sep. 2024 ("trial period")
- Concept and process description are part of the decision
- Introduction of an overbooking and buyback model
- Use of market-based instruments (MBIs) to secure transmission capacities
- Use of buy-back option only as a last resort
- Additional capacities (overbooking capacities) offered in annual auction 2020
- MBI costs recognised as volatile costs

KAP+ and KOMBI

Details

- **KAP+ concept and process description approved subject to the following changes:**
 - No price cap
 - Capacity buyback only subject to general renomination restriction if there is a risk to the gas supply system.
 - Two GYs can be offered (TSOs will only offer one GY)
 - Cost recognition according to KOMBI decision
- **Additional requirements**
 - BNetzA must be informed by 1 May of each year about additional capacity to be marketed
 - Report on the use of MBIs until 1 Dec. of each year, for the first time on 1 Dec. 2022
- **KAP+ guide**
 - The guide suggested by BNetzA is the combined result of the Cooperation Agreement and the process description.

Additional entry capacities for GY 2021/22 (MWh/h)



FZK = freely allocable capacity
bFZK = conditionally firm freely allocable capacity

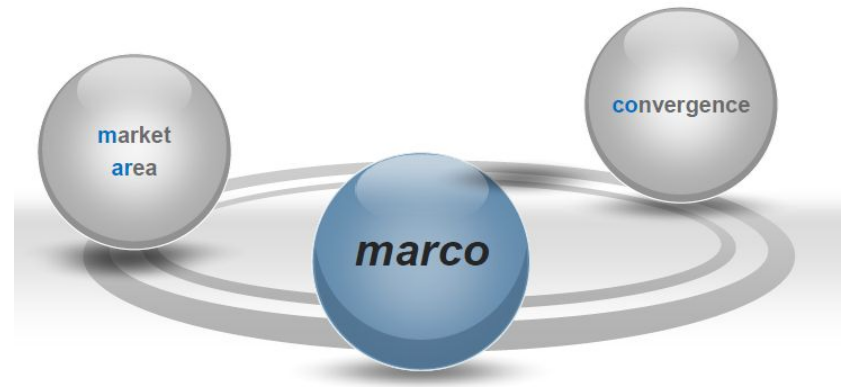
More detailed process description (i)

- **Dealing with interruptible capacities**
 - Addition to section 2.2.2
 - *The selection of measures is based on suitability, necessity, the degree of disruption of gas supply and the level of any adverse impact on network users (depth of intervention). Accordingly, the interruption of an interruptible Internal Order (iIO) and the use of your regional hedging instruments can occur after the use MBIs.*
 - Supported and welcomed by BNetzA

More detailed process description (ii)

➤ **Details of buy-back**

- Additions to sections 2.3.4 and 2.3.6.2
- Acquisition of the right of use
 - *In this case THE acquires the right of use (nomination option) of the respective capacities for firm nominated entry capacity in the upstream congestion zone from the shippers (providers) on the basis of the created capacity buyback MOL. If the offer made by a provider is accepted, the provider is obliged to reduce the existing entry nomination by the amount of the capacity provided.*
- Supported by BNetzA with reference to clarification of the network user's contractual obligations

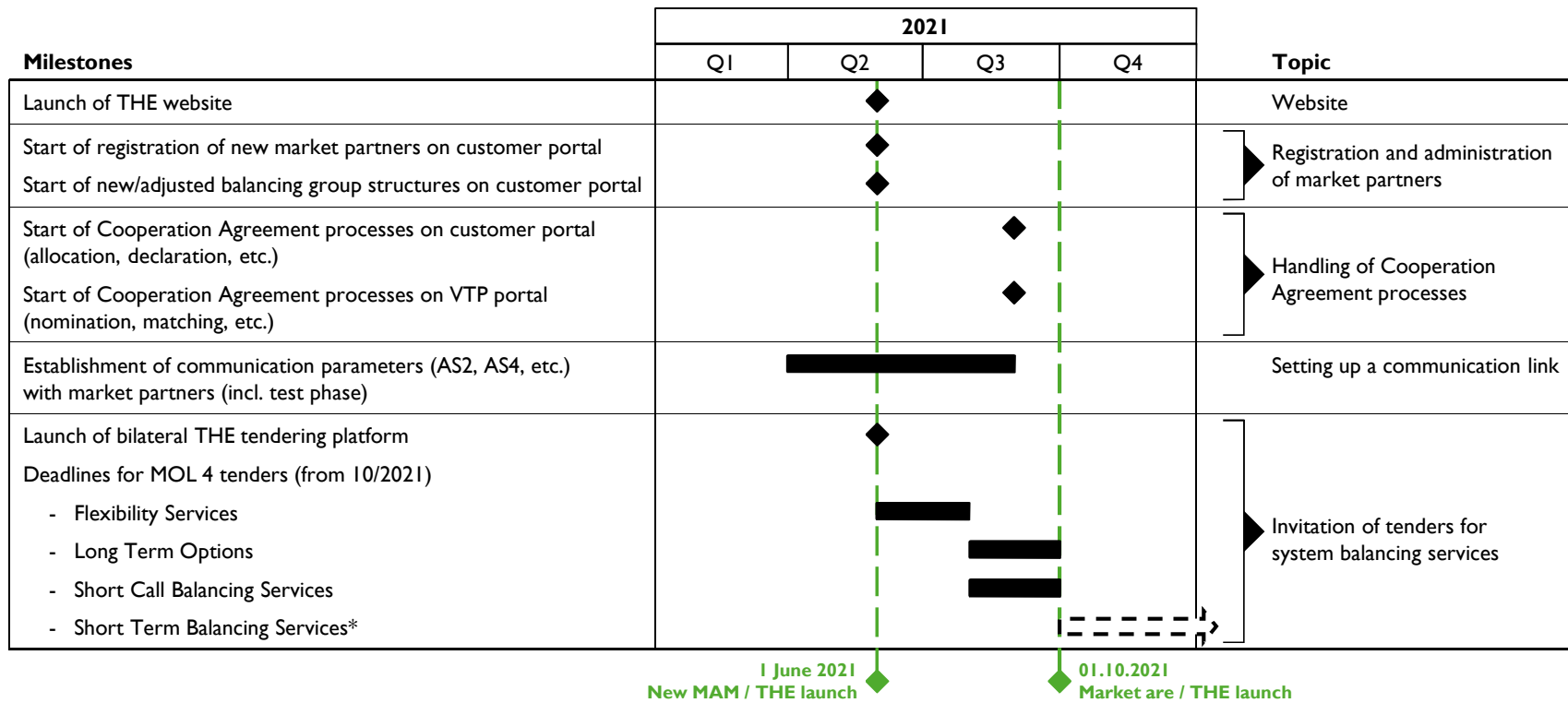


The implementation project of market area managers

MAM implementation project

Timetable for operational steps

DISCLAIMER: all dates subject to change



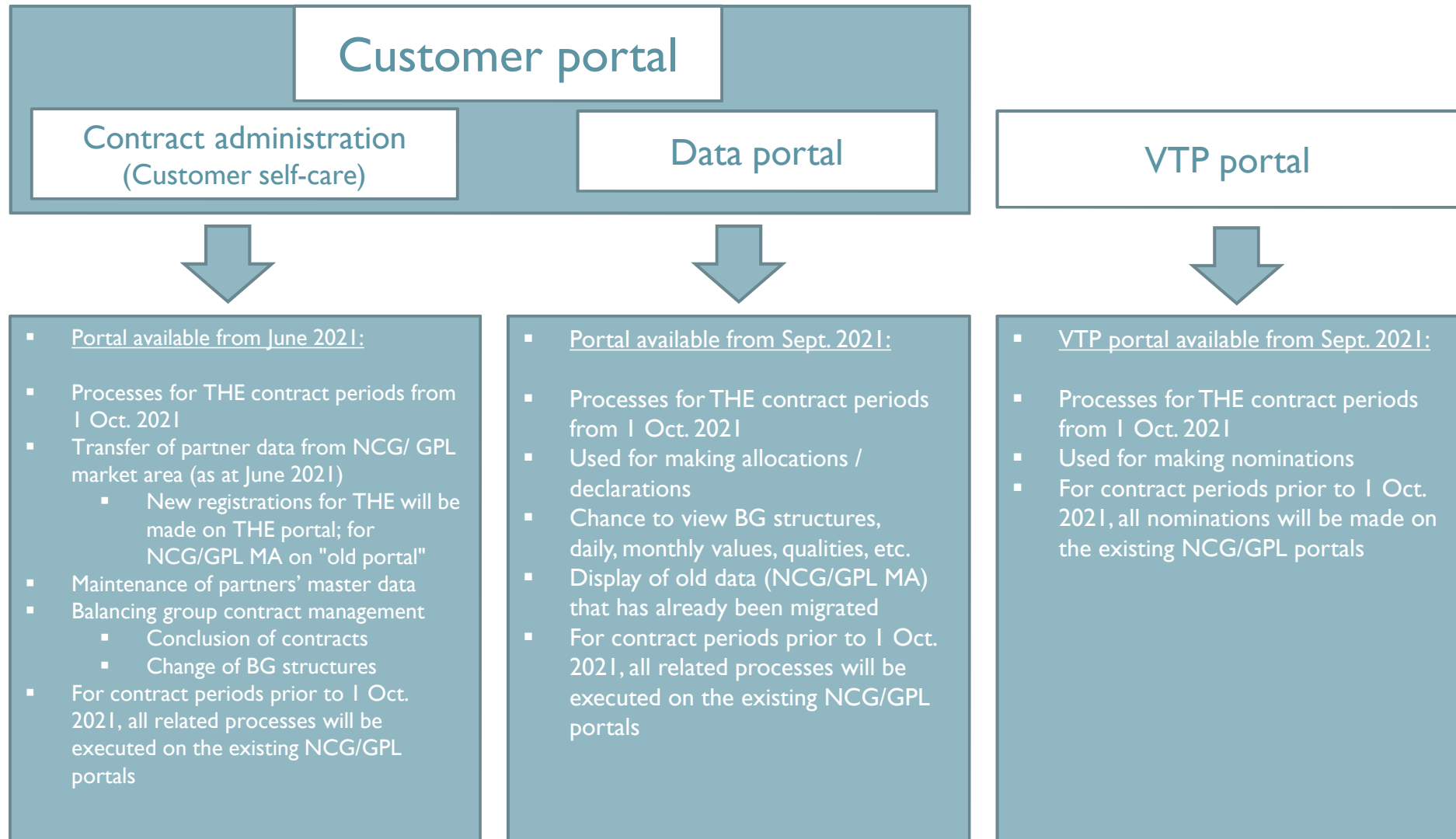
* Date will be set as and when required

MAM implementation project

THE website

- URL: www.tradinghub.eu
- Website in German and English
- Approach to new concept: best of both websites in a new design; further enhancements where appropriate
- THE website expected to be launched on 1 June 2021
 - Until 1 October 2021, all information to be published will continue to be provided on the websites of the current market areas that continue to be available
 - Around the 30 Sep. / 1 Oct. transition, some information will still have to be accessed on the GPL and NCG websites (e.g. preliminary prices for daily imbalance quantities, day-ahead system balancing actions)
- The NCG and GPL websites will continue to be available for some time after 1 October 2021
- All historical NCG and GPL market areas information to be disclosed will be available for download from the THE website

Portal availability for THE market partners



Transfer of balancing groups to THE

- The first step is a 1:1 migration of the GPL and NCG BGs to the new THE BG nomenclature
- The MAMs will publish a migration table on their website
- The BGMs will be given the opportunity to reorganise their balancing group structures on the THE portal
- The migration table and all valid BGs will be shown on the portal and on the website
- THE Portal will offer the opportunity to terminate the contracts for all BGs and SBGs no longer needed (requires separate agreement) and/or to conclude contracts for new BGs and SBGs
- Furthermore, there will be the opportunity to terminate and newly conclude contracts linking BGs
- The new assignment of market locations to BGs/SBGs must be carried out using the regular master data change process (UTILMD) via the shipper-to-network-operator path; however, as this is a mass process and in order to avoid errors and/or frequent revenue caps, a start date needs to be defined for the standard process of master data transfer in accordance with GeLi Gas.

Establishment of communication parameters

- THE customers are informed early on about their existing communication parameters
- For this purpose, a communication master data mask is expected to be available by spring 2021, which will request and provide all the parameters necessary for market communication.
- This data mask will already be pre-filled with the existing master data and the parameters of the previous communication links from the NCG/GPL market areas
- such as the DVGW code, name of partner, AS2 / email address, encryption and signature parameters
- All relevant changes will be entered into the mask for THE communication
- This can then be validated and tested together with THE in individual communication tests with the market partners
- This approach will allow partners to be connected early, thereby ensuring a secure communication connection

Market communication

- Market communication (performing the processes set out in the Cooperation Agreement) will be possible from September 2021 for the THE market area and for transaction data relating to delivery periods commencing on 1 Oct. 2021
- Clear and unambiguous allocation (THE) will be guaranteed by the then valid THE communication paths (AS2, AS4 etc.)
- Response/feedback will be provided in the individual systems, so the market partner will be informed about any errors and can contact THE employees if necessary

System balancing-related topics

- Final decision on system balancing products and zones in summer 2020
- The products will require some 'fine-tuning' because they have to meet the requirements of the new market area as precisely as possible (physical effect to be achieved through procurement) while at the same time having to be kept as general as possible to make them "marketable"
- The product design takes place promptly with the involvement of the market
- The tendering process for these products in the THE market area will take place for the first time in summer 2021

MBI and capacity buy-back (1/2)

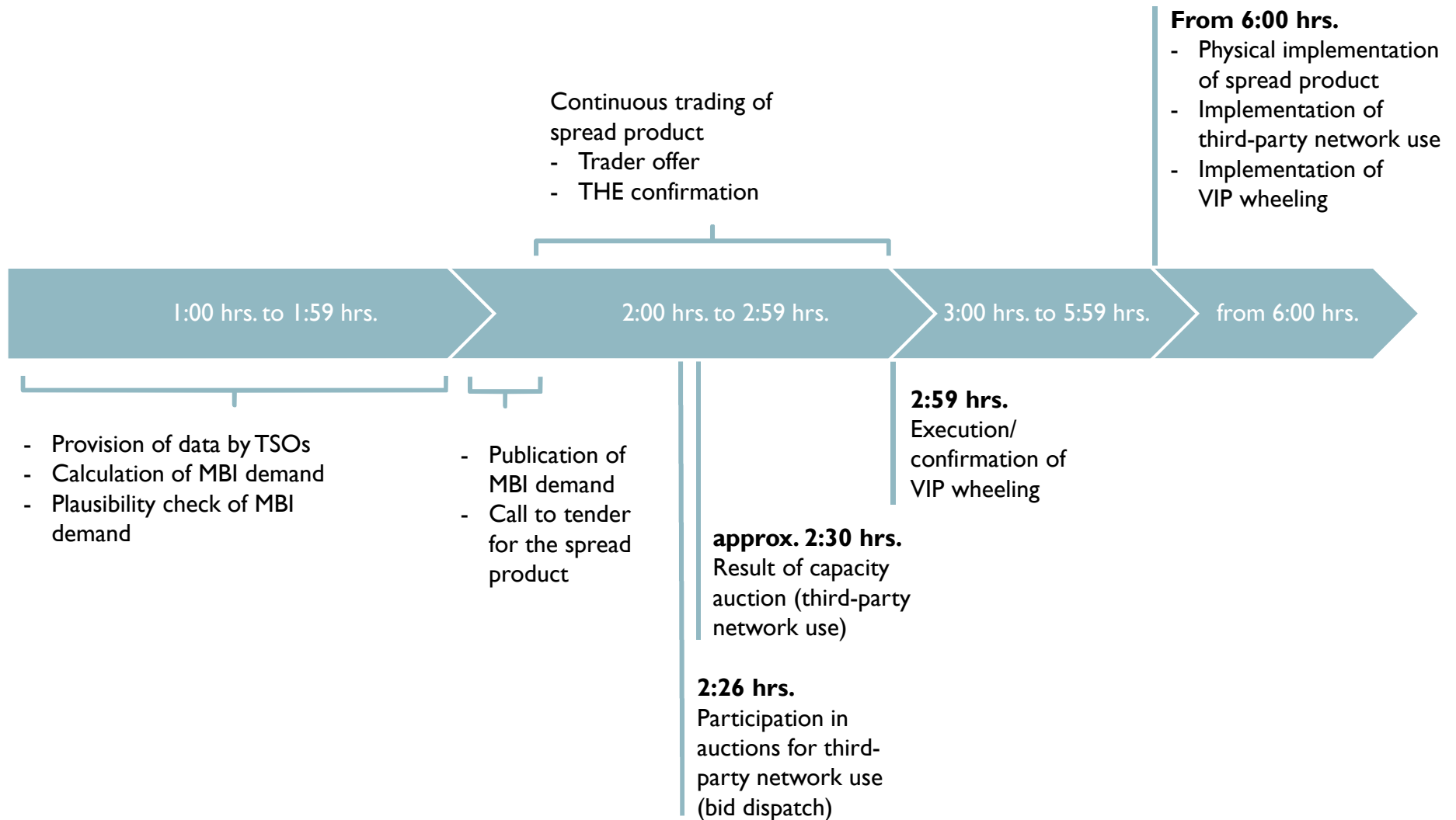
- Process document (KAP+ decision) regarding MBI and capacity buy-back will be further interpreted and specified in more detail; current considerations regarding the individual MBI products:
- Third-party network use:
 - Use of transmission capacities in third-party networks, especially GTS/Fluxys Belgium/GRTgaz France
 - Booking of capacities by THE via regular platforms and processes
 - Booking of firm capacities at the reserve price without surcharge
- Wheeling:
 - Coordination talks are currently underway between the German gas TSOs and the neighbouring network operators
 - More specific details regarding wheeling will depend, among other things, on the results of these talks

MBI and capacity buy-back (2/2)

- Spread product:
 - The aim is for the bidder to help improve the network situation by making renominations that facilitate network operation
 - The extent to which there will be restrictions for other renominations that do not improve the network situation still needs to be determined in detail
 - The specific details of the products for the order books are still being discussed
 - Interaction between products/order books for system balancing and spread products will be an important aspect

- Capacity buy-back:
 - Designed as a buy-back of nominations
 - Two-stage design: individual renomination restriction, which may be followed by general renomination restriction
 - More specific process description may be required going forward

Process flow chart for MBI use (shown for MBI use from 6:00 hrs.)



Liquidity buffers and balancing neutrality accounts

- Until now the planning and calculation models used in both market areas were different, but both were in keeping with GaBi Gas and Konni Gas requirements; the reasons include structural differences in both market areas, e.g. in terms of SLP exit volumes
- The joint planning model for THE will draw on standardised assumptions and evaluation methods
- Standardisation will include plans regarding expected balancing quantities, prices, possible risks, etc.
- In view of the current debate, the option to include a so-called fluctuation reserve in the liquidity buffers is being looked into in order to keep the neutrality charges as stable as possible and avoid major fluctuations
- In August 2020 the fees and neutrality charges for the period 10/2020 - 09/2021 will still be published separately for both market areas.
- In 2021 the joint plans will be specified in more detail. The fees and neutrality charges for the THE market area based on the new planning model are to be published in August 2021 for the first time

THE tradeability on the EEX

- EEX wants to make THE tradable on the gas futures market as soon as possible in order to increase liquidity
- Initial ideas on how to achieve tradability have been exchanged with associations and traders since 2019
- Most important issue from traders' perspective: What happens to gas traded on THE if the market area merger is delayed?
- EEX has developed two solution variants, which will be discussed on Thursday as part of a virtual EEX traders' working group meeting
- EEX traders working group on THE, 18 June 2020, 9:30 - 12:00 a.m., German/English;
To register, please contact Sirko.Beidatsch@eex.com

Thank you for your attention!