

ANNUAL SYSTEM BALANCING REPORT FOR THE MARKET AREA NETCONNECT GERMANY PUBLISHED – BRIEF SUMMARY OF UPCOMING CHANGES

NetConnect Germany GmbH & Co. KG (NCG) has published its latest System Balancing Report, which covers the gas year 18/19. As some of the report's contents also relate to upcoming changes and the English translation is not yet available, here is a brief summary of the report's contents regarding upcoming changes:

CHANGES IN CONNECTION WITH THE LAUNCH OF THE VIRTUAL INTERCONNECTION POINTS (VIP) ON THE GERMAN-DUTCH BORDER

Locational products with hourly delivery:

- On implementation of the VIP NCG-TTF (L) as of 1 April 2020, the VIP will replace the current cross-border interconnection points Elten/Zevenaar and Vreden/Winterswijk, which will cease to exist as separate booking points from a shipper's perspective.
- However, the gas flows in the low CV gas sector of the NCG market area will continue to require structuring, which is why NCG will continue to have a need for balancing products with hourly delivery to meet these structuring requirements.
- As the ongoing gas quality switchover process ("Marktraumumstellung") progresses, these structuring requirements are bound to decrease over time but the implementation of the VIP is not currently expected to lead to reductions.
- NCG is consulting with the TSOs concerned as well as with the exchange in order to work out the necessary specifications for the new hourly products needed for structuring purposes (short-term MOL 2 products as well as long-term MOL 4 products) and will inform market participants in due time ahead of 1 April 2020.

Locational products with DA/RoD delivery:

- The current balancing zones existing in the NCG market area¹ will remain unchanged, with the new VIPs (L/H) to be assigned to all suitable balancing zones, i.e. the VIP NCG-TTF (H) to the high CV balancing zones HN (North) and HM (Central), and the VIP NCG-TTF (L) to the low CV balancing zones LO (East) and LW (West).

¹ You can download an overview of the current NCG balancing zones as well as the entry and exit points assigned to them at transmission level from our website at "Transparency Information" → "Balancing Gas" → "Balancing Zones".

OTHER PRODUCT CHANGES

- NCG plans to launch a new balancing product named Short Call Balancing Services (SCB) as a MOL 4 balancing service.
- The gas requirements to be met through the SCB product would be tendered out on a long-term basis (probably monthly) for delivery in the balancing zone LO.
- Eligible bidders would include all prequalified balancing providers able to supply or receive gas at storage connection points (storage Epe-L) or exit points to industrial end users in the balancing zone LO.
- When needed, the contracted SCB balancing services would be called with a lead time of no more than 60 minutes in direct coordination between the market area manager and/or the relevant network operator and the storage operator (based on a framework contract between NCG and the storage operator) or industrial end user concerned.
- NCG plans to introduce the SCB product in the course of the gas year 19/20 but not before 1 April 2020.
- In order to avoid redundancies in the gas reserves contracted via MOL 4 products, it is currently envisaged that some of the long-term gas requirements for structuring purposes (product variant “Hourly” of the LTO product) will be procured through the SCB product in the future.
- The planned product specifications are summarised in the table below:

SCB product parameter	Specification
Product variant	Hourly
Product category	Locational
Bid size	10 MWh/h per lot
Delivery location	Storage connection points (storage Epe-L) or exit points to industrial end users in the balancing zone LO
Pricing	Capacity charge for service availability and commodity charge in event of call
Required availability	No more than 4 calls per lot per gas day during the contract period
Call lead time	No more than 60 minutes
Issuance of call order	In direct coordination between MAM and/or network operator and storage operator or industrial end user (no nomination process); possibly subject to defined minimum call delivery rate
Call criterion	Structuring needs requiring a lead time of < 3 hours

More details regarding the above changes will be published by NCG in due time.