

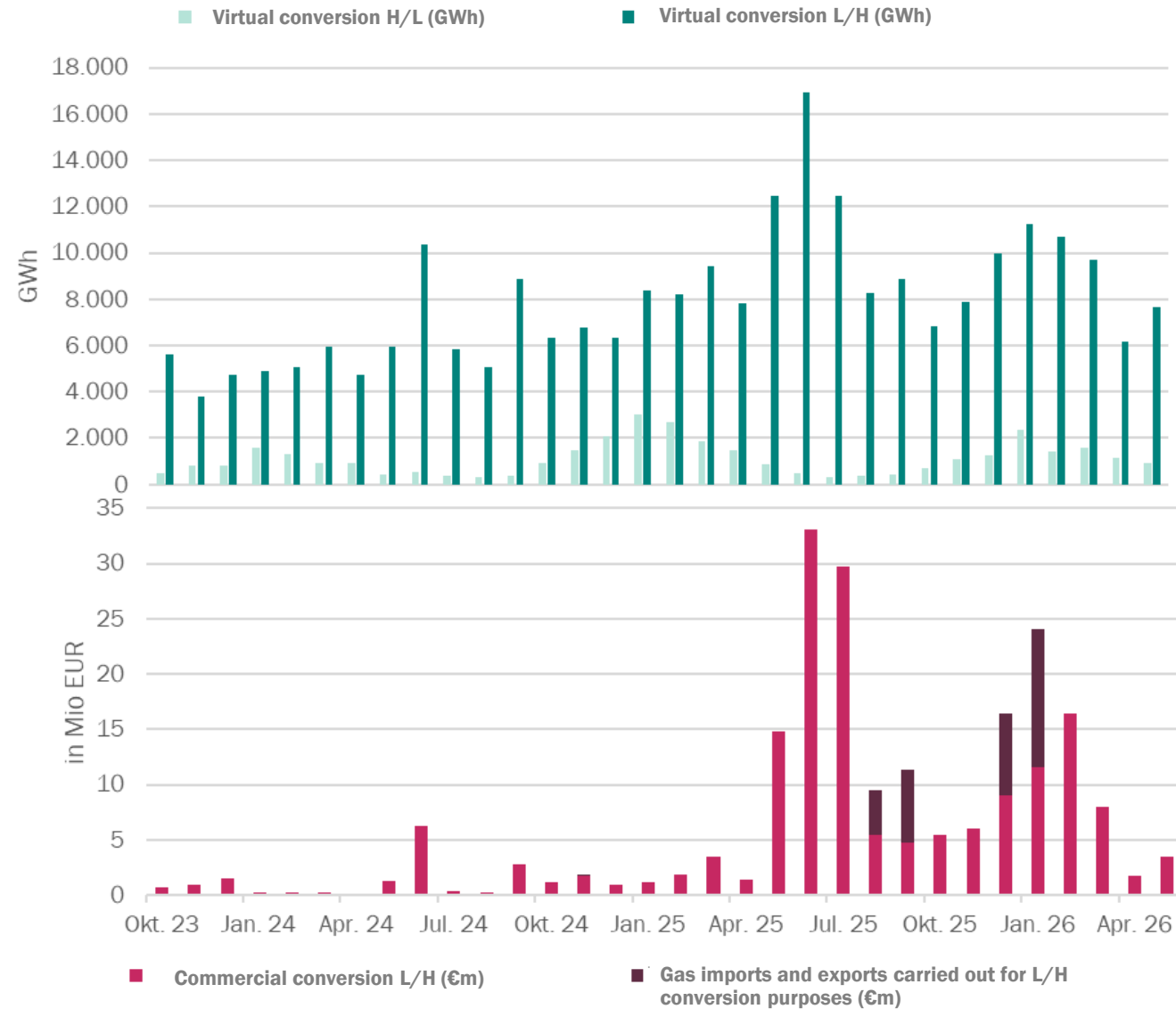


L-to-H-gas conversion

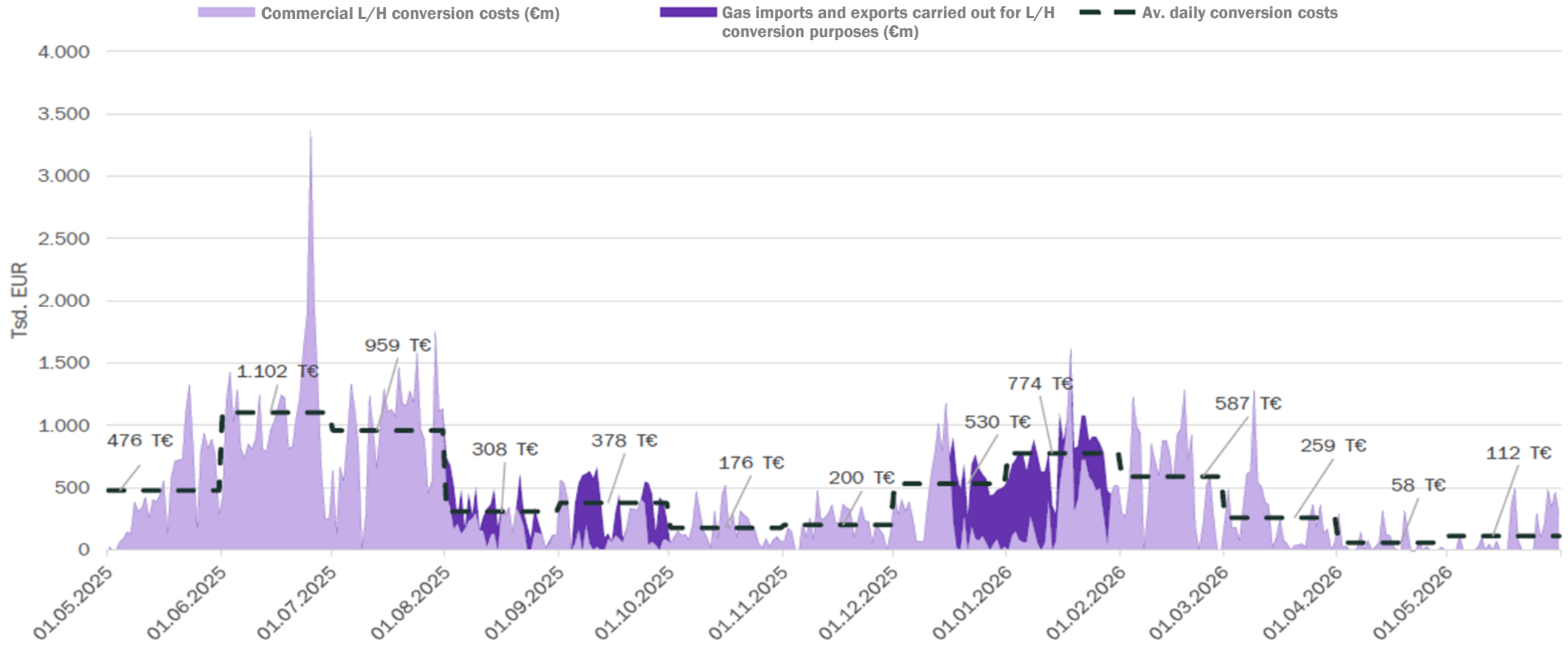
June 2026

Development of L-to-H-gas conversion

- **High L-gas to H-gas conversion quantities since summer 2025**
- **Consequently, high commercial conversion quantities and costs**
- **Easy opportunity to offer system balancing services through additional capacity bookings**
- **Exception to primarily use transport conversion resulted in lower utilisation rates and lower overall costs**



L-to-H-gas conversion costs



Sec. 25 Regulations on exchange-traded products with physical delivery restrictions – Amendment to KoV XV

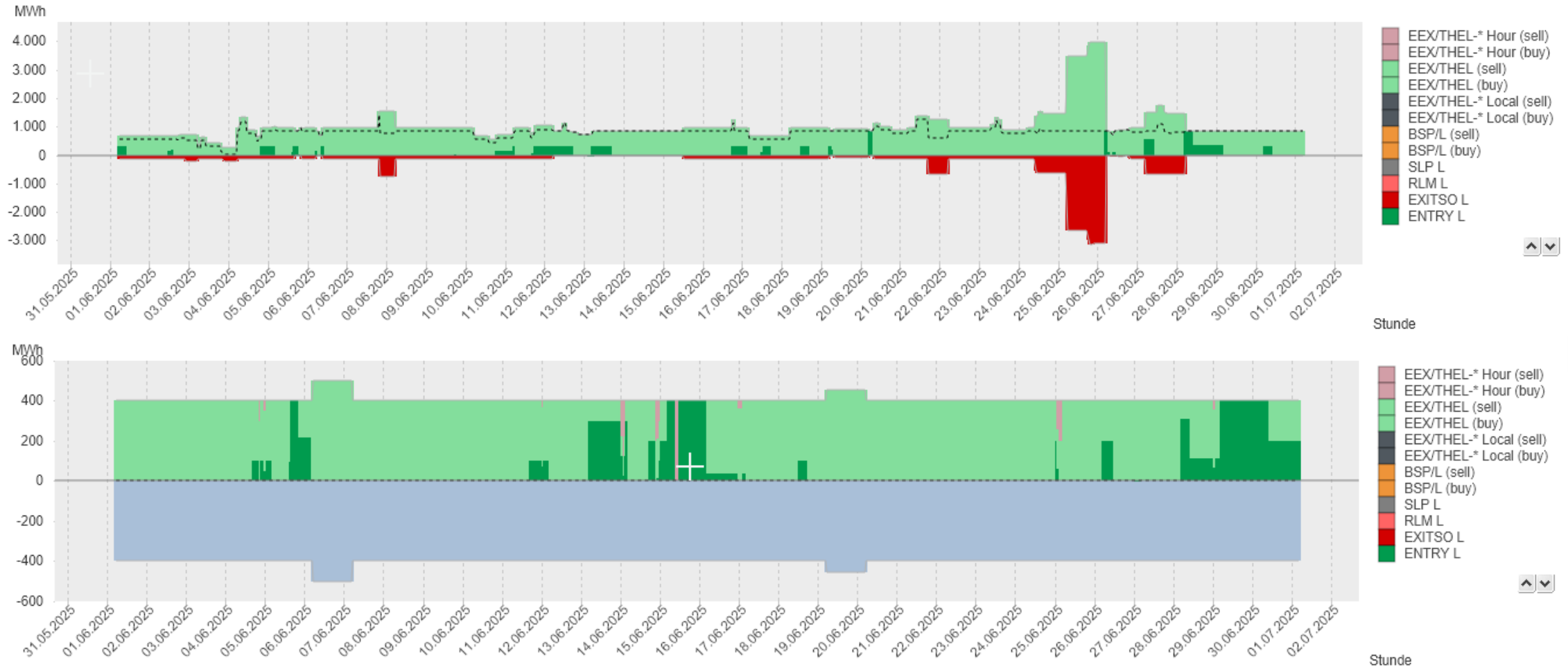
Previously:

- In trading transactions involving exchange-traded products with physical delivery restrictions, the BGM has to cause a physical effect:
 - Products of a specific gas quality - (high CV or low CV not Global) –
 - Local products
- When purchased: increase physical offtakes (“Exitso”/“ExitSP”) and/or reduce physical inputs (“Entryso”/“EntrySP”)
- When sold: increase physical inputs (“Entryso”/“EntrySP”) and/or reduce physical off-takes (“Exitso”/“ExitSP”).
- Clause 16: governs the amount of the contractual penalty payable in the event of a breach
- Clause 17: The trading party must not use trading in gas-quality-specific products to generate abusive arbitrage profits in connection with the conversion system.

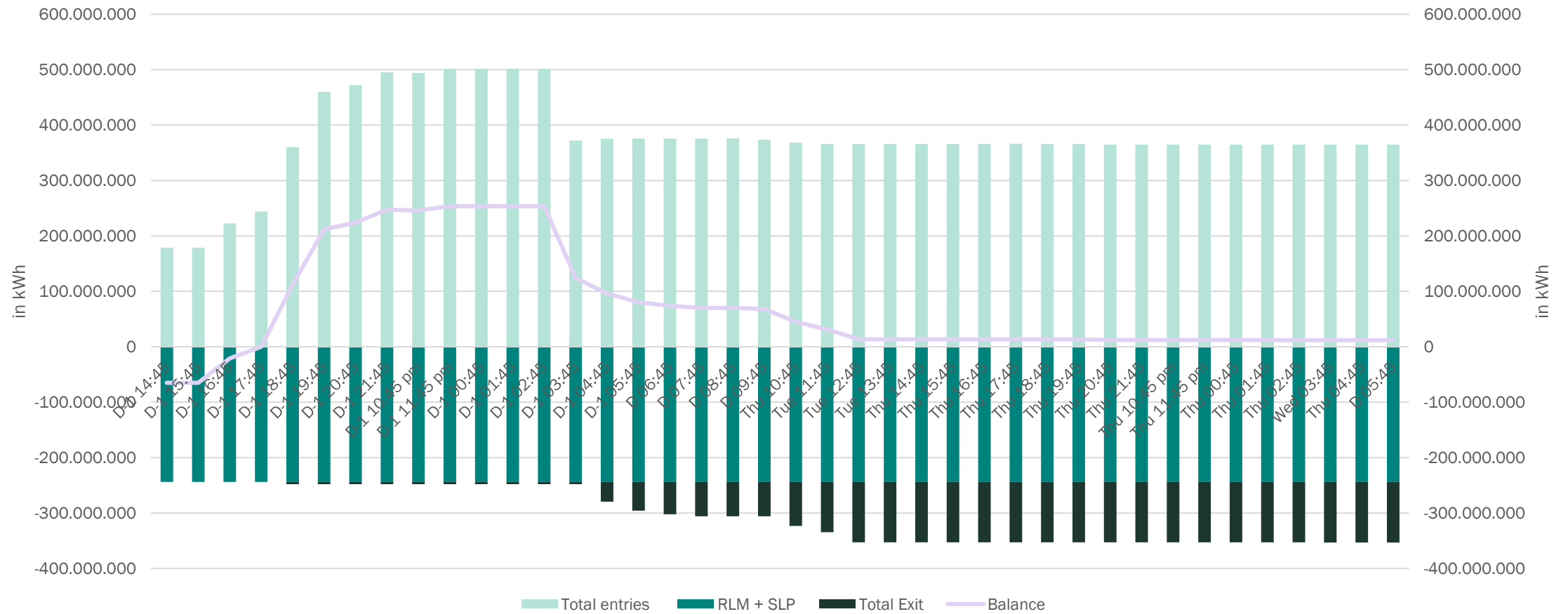
New as of 1 April 2026

- New Clause 3(a): Restriction on use of the L-gas order book (renomination restriction)

Analysis of physical fulfilment: Examples



Nominations over the course of a gas day for L-gas



Section 25(3a) Restriction on use of the L-gas order book (1/2)

Physical execution of balancing product trading (SystemSell) with MAM via reduction of entry capacity usage is limited to 25% of the booked capacity (EntrySo/EntrySP) for each master balancing group (MBG)*)

- However, the freely reducible capacity (reduction allowance) amounts to at least 250 MWh/h (=> free volume of 6,000 MWh/d)
- A price floor (compensation payment) is introduced for excess entry reduction quantity (EER)
 - The option to trade in principle is unchanged
 - Does not apply to SystemBuy
 - Physical fulfilment via increased use of exit capacities (ExitSo/ExitSP) is unchanged

In the reference period 05/25 to 08/25, 40% of providers of balancing services) fall below the threshold – a further 22% are affected on fewer than half of the trading days**

*) In the case of multiple MBGs belonging to a single company, these are regarded as one single MBG

**) with which THE has traded SystemSell L-Gas during the period under review

Section 25(3a) Restriction on use of the L-gas order book (2/2)

The quantity that can be traded daily without a price floor (6,000 MWh/d) is increased by the physical exit quantities (RLM/SLP) of the master balancing group (MBG)^{*)} on that day

- the provider may also designate a BGM to whom the gas has been resold
=> the BGM's RLM/SLP quantities are credited to the provider of balancing services as additional exit quantities
- The MAM reserves the right to verify the sale to the named BGM (e.g. based on VTP nominations)

Determination of the amount of the compensation payment (CP)

- $CP = (EER - RLM/SLP) * (VTP \text{ index price}^{**}) - \text{average gas price SystemSell L}$

^{*)} In the case of multiple MBGs belonging to a single company, these are considered together

^{**)} Volume-weighted average gas price in accordance with GaBi Gas, operative part 2 (b)

Example: Calculation on a gas day

Max. entry transport quantity	20,000 MWh/d
Effective entry reduction quantity	10,000 MWh/d
Reduction allowance (25% or min. 6,000 MWh/d)	(5,000 MWh/d) - 6,000 MWh/d
Excess entry reduction (EER)	4,000 MWh/d
RLM/SLP quantity (deduction)	- 1,000 MWh/d
VTP index price	30 EUR/MWh
Av. SystemSell L price	25 EUR/MWh

- $CP = (EER - RLM/SLP) * (VTP \text{ index price}^{**}) - \text{average SystemSell L price}$
- EUR 15,000 = $(4,000 \text{ MWh/d} - 1,000 \text{ MWh/d}) * (30 \text{ EUR/MWh} - 25 \text{ EUR/MWh})$

Downloads

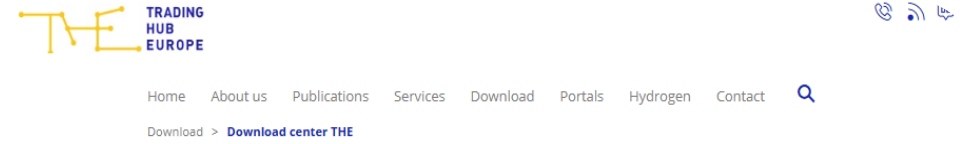
Documents

THE list of entry & exit points

Implementation guide on Sec. 25

Calculation method for transportation markups
and much more

All important information on system balancing is available in the Download Centre on the THE website



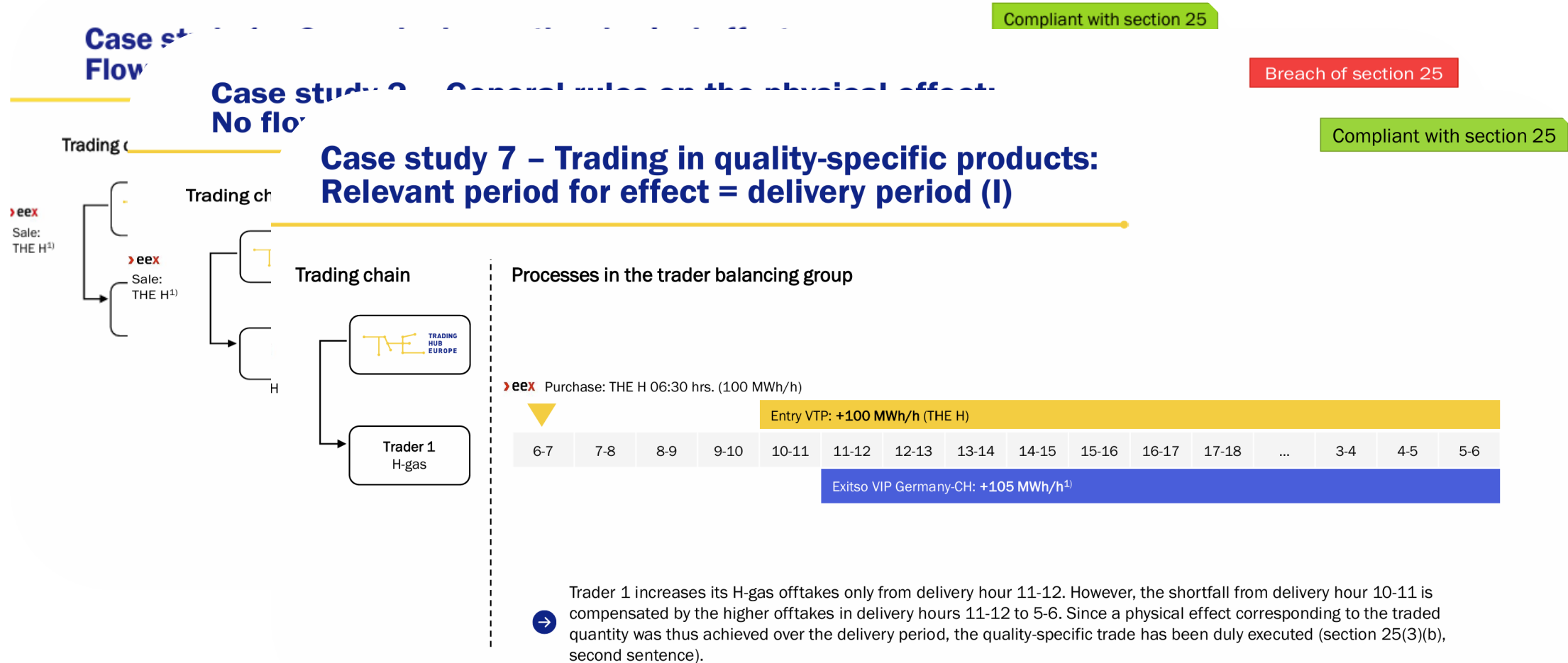
Download center

On these pages we provide you with various information to download.

The GASPOOL archive is available [here](#) and the NetConnect Germany archive can be accessed [here](#).

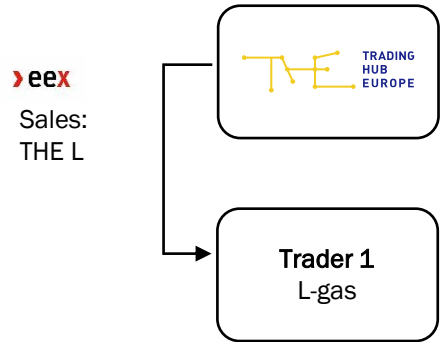
- Documents Trading Hub Europe
- Papers, presentations and event documents
- Contractual terms & conditions for balancing gas providers
- Cooperation agreement and guidelines
- Contractual terms & conditions for balancing group managers
- Prices, charges and fees
- Media
- Conversion-related downloads
- Balancing gas-related downloads**

Implementation guide on Sec. 25



Case study 18 – Trading in gas-quality-specific products: Renomination restriction

Trading chain



Processes in trader's balancing group

eex Purchase: THE L 06:30 (1,000 MWh/h)

Entry VTP: +1,000 MWh/h (THE L)																
6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	...	3-4	4-5	5-6	
Entry VIP TTF-THE-L: 1,000 MWh/h ¹⁾				Submitted capacity VIP TTF-THE-L Entry 1,000 MWh/h												

➔ Trader 1 purchases 1,000 MWh of THE L and reduces its feed-in to zero from delivery hour 10–11 in order to achieve the 5-6 physical effect for the corresponding trading transaction. However, a usage restriction applies to purchases in the L-gas order book pursuant to Section 25(3a). Trader 1 may only renominate 25% of the capacity provided, subject to a minimum of 6,000 MWh/d. The excess portion is settled by means of a compensation payment.

Effective entry reduction quantity =	20,000 MWh
Reduction allowance (25% of the capacity entered, min. 6,000 MWh) =	6,000 MWh
<u>Excess entry reduction quantity =</u>	<u>14,000 MWh => subject to a penalty</u>

This also applies to day-ahead transactions

1) Calculation rounded to whole numbers.

Thank you.



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Thank you.



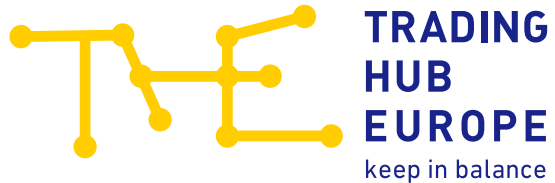
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