

Press Release

GASPOOL, NetConnect Germany and the association of German gas TSOs jointly support continuation of gas quality conversion fee

- **Market area managers (MAM) have applied for permission to extend application of the conversion fee by six months**
- **MAMs and TSOs in constructive talks on conversion mechanism with Federal Ministry for Economic Affairs and Energy, and German regulator BNetzA**

Berlin / Ratingen, 27th January 2016. The two German gas MAMs, Berlin-based GASPOOL Balancing Services GmbH and Ratingen-based NetConnect Germany GmbH & Co. KG, have today notified the national regulatory authority Bundesnetzagentur (BNetzA) of their intention to extend the phase-out period for the conversion fee levied on gas quantities converted from high calorific value (CV) to low calorific value quality under the virtual conversion service by six months. This is an option available to the MAMs under the relevant administrative ruling, the so-called “Konni Gas” decision (conversion system in cross-quality market areas), published by BNetzA in March 2012. Concerning this, discussions with BNetzA and the German Federal Ministry for Economic Affairs and Energy (BMWi) have taken place. The German gas transmission system operators (TSOs) and the MAMs are confident that BNetzA will review the need whether the conversion fee should be retained permanently before the end of this year to determine, in which case the Konni Gas ruling would have to be amended accordingly.

The latter measure is considered necessary to respond to fundamental changes that have been transforming the market environment for low CV gas. These changes are most clearly reflected in the frequency and scope of the conversion measures taken by the MAMs, especially in the market area of NetConnect Germany, a sharp rise in the low CV gas quantities that have to be purchased for system balancing purposes, and a decline in production levels for low CV gas in the Netherlands.

Though it was known at the time the Konni Gas decision was handed down four years ago that the production rates for low CV gas would be going down, the magnitude of the successive reductions in production ordered by the Dutch government and courts in 2015 had not been foreseeable back then. Given that the gas production activities in the Groningen field have been related to the increased number of earthquakes in that region, it is likely that additional efforts will be made to further curtail Dutch production volumes in the future. In order that sufficient L-gas is provided an incentive for traders and suppliers has to remain to procure gas in the required quality and to deliver it to the appropriate market area e.g. by maintaining existing import delivery contracts. The German gas TSOs and the two MAMs therefore believe that it is absolutely essential that the conversion fee be retained.

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