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Germany**

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Press Release

NetConnect Germany publishes conversion fee and conversion neutrality charge for the next validity period

Ratingen (Germany), 6 February 2017. NetConnect Germany GmbH & Co. KG (NCG) has set the conversion fee it charges for the conversion of gas quantities from high calorific value quality ("high CV gas") to low calorific value quality ("low CV gas") to 0.45 €/MWh for the period from 1 April to 30 September 2017. The conversion neutrality charge, which is levied on physical inputs to the market area, has been set at 0.04 €/MWh.

In early 2016 – responding to current events and foreseeable market developments – NCG had submitted a formal notice to the German national regulatory authority Bundesnetzagentur (Federal Network Agency) to inform the regulator of its intention to extend the prescribed phase-out period for the conversion fee charged to balancing group managers for the conversion of gas quantities from high CV to low CV quality along with a formal application seeking amendments to the administrative ruling governing the gas quality conversion mechanism in the German multi-quality gas market areas (ref: BK7-11-002; the so-called "Konni Gas" decision). A new administrative ruling amending the rules governing the gas quality conversion mechanism (ref: BK7-16-050, the so-called "Konni Gas 2.0" decision) was published by the Federal Network Agency in December 2016 – following a consultation process – and permits for the conversion fee to be retained beyond 31 March 2017 for the conversion of gas quantities from high CV to low CV quality. For the conversion of gas quantities from low CV to high CV quality, in contrast, a conversion fee may no longer be charged according to the Konni Gas 2.0 ruling.

In consideration of the current balance of the conversion neutrality account, the projected development of the conversion mechanism overall, and the changed market environment for low CV gas, the conversion fee charged for the conversion of gas quantities from high CV to low CV quality has now been set at 0.45 €/MWh for the period from 1 April 2017.

NetConnect Germany handles the operational management of the market area cooperation between bayernets GmbH, Fluxys TENP GmbH, Thyssengas GmbH, Open Grid Europe GmbH, GRTgaz Deutschland GmbH and terranets bw GmbH. Its gas market area, which stretches from the North Sea coast down to the Alps, is the largest German market area, with around two thirds of all end-user gas volumes in Germany being transported via the NCG market area.

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As concerns the conversion neutrality charge, we are able to reduce the charge to 0.04 €/MWh thanks to the development seen to date.

The new conversion fee and conversion neutrality charge now determined will both apply for an initial validity period of six months (starting on 1 April 2017). Thereafter, the validity period for both charges will be extended to 12 months, as required under the Konni Gas 2.0 ruling.

The VTP fee and also the balancing neutrality charges currently levied on offtakes at non-daily metered “SLP” exit points and intraday-metered “RLM” exit points, respectively, will next be re-set with effect from 1 October 2017 and so will stay unchanged for the time being.

	Until 31 March 2017	From 1 April 2017
Conversion fee	0.453 €/MWh	0.45 €/MWh
Conversion neutrality charge	0.15 €/MWh	0.04 €/MWh

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