
Press Release

NetConnect Germany sets balancing neutrality charges and conversion neutrality charge at 0 €/MWh

Ratingen (Germany), 11 August 2017. NetConnect Germany GmbH & Co. KG (NCG) has set its two balancing neutrality charges – the “SLP” balancing neutrality charge applied to gas supplies to non-daily metered customers and the “RLM” balancing neutrality charge applied to gas supplies to intra-day-metered customers – at 0 €/MWh with effect from 1 October 2017. For the conversion of gas quantities from high calorific value quality (“high CV gas”) to low calorific value quality (“low CV gas”) the market area manager will apply a conversion fee of 0,45 €/MWh. The conversion neutrality charge will be reduced to 0 €/MWh and the VTP fee will be charged at 0,0012 €/MWh.

NCG’s decision to set both balancing neutrality charges to 0 €/MWh is a result of positive market developments. It reflects NCG’s projection of future balancing requirements whilst taking account of the well-functioning procurement mechanisms in the balancing market as well as of the current position of the corresponding balancing neutrality accounts, which permit the market area manager to levy no balancing neutrality charges in the next neutrality accounting period.

According to last December’s decision by the German national regulatory authority Bundesnetzagentur (Federal Network Agency) on amendments to its earlier administrative ruling on the German gas quality conversion mechanism (the so-called “Konni 2” decision), the conversion fee is to be set at a level that ensures that market participants are sufficiently incentivised to engage in cross-quality gas trading whilst also ensuring that the market area manager does not become the main party procuring the quantities of low CV gas needed to supply end users of low CV gas in its market area. Based on its projection of future conversion developments, NCG has set its incentive-based conversion fee

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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for the conversion of gas quantities from high CV to low CV quality (H-to-L) at 0,45 €/MWh, thereby keeping it on the same level as in the previous validity period.

The conversion neutrality charge, which is charged on all physical gas deliveries to the market area, may be levied in addition to the conversion fee to ensure that all costs the market area manager incurs for its commercial and technical conversion activities can be recovered. It is set based on the conversion costs the market area manager expects to incur in the relevant validity period (to the extent that they cannot be recovered via the conversion fee) plus reconciling for residual differences determined for previous periods and allowing for a liquidity buffer to cover liquidity requirements. According to these projections and after factoring in the current position of the conversion neutrality account, NCG is now in a position to reduce its conversion neutrality charge to 0 €/MWh.

The VTP fee charged for each nominated gas transfer effected at the virtual trading point (VTP) of the market area must – as required by the Federal Network Agency – be set at a level that enables the market area manager to recover the direct and indirect costs it incurs in connection with its VTP. In accordance with these rules NCG has decided to keep its VTP fee unchanged, at 0.0012 €/MWh.

The balancing neutrality charges, the VTP fee and – for the first time – also the conversion fee and conversion neutrality charge will each apply for a period of twelve months.

According to the information currently available – and provided that the final status matches NCG's current estimate – NCG may generate a surplus for the neutrality accounting period from October 2016 up to and including September 2017 (= surplus period) under the GaBi Gas 2.0 balancing neu-

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trality arrangements. As required under the GaBi Gas 2.0 balancing rules and the relevant contractual arrangements, this surplus would then be distributed to balancing group managers. Market participants will be informed separately of the details of the associated distribution process (if any) once all final data relating to the potential surplus period is available.

NCG does not expect to generate a surplus in its conversion neutrality account for the neutrality accounting period from April 2017 up to and including September 2017 under the Konni 2 conversion neutrality arrangements.

	Until 30 September 2017	From 1 October 2017
Conversion fee (H-to-L)	0.45 €/MWh	0.45 €/MWh
Conversion neutrality charge	0.04 €/MWh	0 €/MWh
RLM balancing neutrality charge	0 €/MWh	0 €/MWh
SLP balancing neutrality charge	0.8 €/MWh	0 €/MWh
VTP fee	0.0012 €/MWh	0.0012 €/MWh

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