Statement of the basis of the balancing neutrality charges applied in the period 1 October 2017 to 1 October 2018

- Neutrality arrangements are such that GASPOOL neither gains nor loses:
  - deficits are recovered through neutrality charges
  - surplus amounts are distributed to balancing group managers (BGMs)
  - funds only serve to finance the balancing regime, not to cover general operating expenses (office rent, salaries etc.)

- Neutrality accounting period = 12 months.

- GASPOOL estimates costs and revenues for each neutrality accounting period including a financial buffer for liquidity requirements (liquidity buffer).

- Deficit/surplus is calculated separately for RLM and SLP neutrality accounts.

- From GY 2017/2018 costs and revenues relating to supply periods ending in or before September 2015 which are invoiced later will no longer be divided between the two neutrality accounts using an allocation key of 60:40 (RLM:SLP) but will be charged fully to one of the two accounts based on causation (example: pre-October 2015 quantity reconciliation invoice = SLP account).

- Quantities attributable to each account in each neutrality accounting period are projected using historical data.

- Analysis of relevant quantities, mainly:
  - system balancing volumes are considered separately for each gas quality and merit order rank
  - projection of energy imbalance quantities (positive and negative imbalances)
  - projection of trends for network balancing accounts (positive and negative imbalances), reconciliation quantities

- Price forecast:
  - based on spot price forecasts for relevant trading hubs
  - historical price trends are factored in (separately for each merit order rank and gas quality)
  - prices realised by GASPOOL in its trading activities are compared against relevant spot curves
  - short-term fixed costs are taken into account (e.g. capacity charges for flexibility services)
  - => standard prices are derived for each quantity parameter using stochastic methods

- Two scenarios (base case and risk-adjusted scenario) are developed for RLM and SLP account, respectively

- Revenue estimate for the period 1 October 2017 to 1 October 2018:
  - RLM: €84.2m
  - SLP: €123.1m

- Cost estimate for the period 1 October 2017 to 1 October 2018:
  - RLM: €101.7m
  - SLP: €145.8m

- Creation of risk reserves to manage future risks and to stabilise balancing neutrality charges
- Internal risk assessment carried out by GASPOOL
    - quantity risk
    - price risk
    - portfolio risk
    - other risks (e.g. defaults/insolvency)
- Hedge against financing-related effects (cash flow)
    - collateral for exchange trades
    - tax effects (VAT)
    - invoicing framework and terms of payment
        - invoicing and payment periods (e.g. balancing group invoices, quantity reconciliation)
        - payment practices of customers

- Based on current knowledge and new facts from GY 2016/2017 (risks actually realised, changes in risk exposure), risk reserves are not sufficient to cover GY 2017/2018
- Liquidity buffer needs to be increased slightly
- Required liquidity buffer: €429.7m
    - RLM: €115.9m
    - SLP: €313.8m

Applicable balancing neutrality charges for the period 01/10/2017 to 01/10/2018

- Balance of RLM neutrality account at the end of the neutrality accounting period (GY 2017/2018) is expected to be negative after liquidity buffer is deducted

  → RLM neutrality charge required: 0.08 €/MWh

- Balance of SLP neutrality account at the end of the neutrality accounting period (GY 2017/2018) is expected to be negative after liquidity buffer is deducted

  → SLP neutrality charge required: 0.20 €/MWh www.gaspool.de