

“Short-Call Balancing Services” Product Description

Supply and Receipt of Low-CV Gas

1 Description of the Short-Call Balancing Services (SCB) Product

1.1 This Product Description describes the SCB Balancing Product (SCB Product) used in the NetConnect Germany market area. It is a long-term Balancing Product which can be tendered in addition to the "Long-Term Options" Balancing Product (LTO product) if there is a need for structuring. Under the terms of the SCB Product, the Provider undertakes to have a storage operator whose storage facility is connected directly to the network of a transmission system operator (TSO) supply or receive low-CV gas quantities in the instructed balancing zone for short-term structuring purposes in accordance with the requirements of this Product Description. If and when the Market Area Manager (MAM) issues an instruction to this effect (“Call Order”), the instructed low-CV gas quantities are to be supplied or received by the relevant storage operator acting as a vicarious agent on behalf of the Provider, with the supply or receipt to start within the next sixty (60) minutes after the MAM’s Call Order.

1.2 As an alternative to effecting the supply or receipt of low-CV gas quantities as described in section 1.1, the Provider may cause a physical effect

a) by ensuring that, within sixty (60) minutes from the Call Order, an end user who receives gas at an exit point equipped with a supply meter installation that records hourly consumption (each such exit point an “RLM Exit Point”) and whose exit point is assigned to the Provider’s balancing group

- reduces its demand in the instructed balancing zone accordingly where the Provider has agreed to supply gas to the MAM (System Buy), or
- increases its demand in the instructed balancing zone accordingly where the Provider has agreed to receive gas from the MAM (System Sell),

with the physical effect not having to occur on the hour.

The required change in consumption must be effected relative to the level of consumption measured in the hour (hour “H-1”) that immediately precedes the hour for which the Call Order is made (hour “H”).

- b) by changing its physical inputs or offtakes at a storage facility that is connected to a distribution network in accordance with the Call Order within sixty (60) minutes from receiving the Call Order, i.e.
- by increasing its inputs or reducing its offtakes accordingly in the case of a Call Order for the supply of gas to the MAM (System Buy) or
 - by increasing its offtakes or reducing its inputs accordingly in the case of a Call Order for the receipt of gas from the MAM (System Sell).

1.3 Where the Provider wishes to deliver the required physical effect via entry and/or exit points that are connected at distribution level, it should be noted that a gas flow change in the direction instructed in the Call Order in the requested magnitude must be effected both at the delivery point(s) of the system interconnection point(s) (SIP) connecting the relevant network to the network of the upstream transmission system operator (TSO) as well as at the actual point via which the physical effect is to be provided (RLM exit point or distribution-level storage connection point). As concerns the gas flow change at the SIP(s) in question, it should be noted that it must also be effected in relation to the hour (hour “H-1”) that immediately precedes the hour for which the Call Order was made (hour “H”). In order to ensure this the Provider has an obligation to enter into contractual arrangements with the distribution system operator (DSO) concerned so that the DSO will ensure on the Provider’s behalf that the physical effect caused by the Provider within the distribution network will actually be delivered at the SIP(s) to the TSO’s network.

1.4 For the purpose of supplying gas to or receiving gas from the MAM, the Provider may only use a storage operator or an RLM Exit Point if the storage facility or the RLM Exit Point is located in the low-CV balancing zone “East” (“L-Gas Ost” or “LO”). The Call Order criterion always presupposes that the MAM has a structuring requirement requiring a lead time of less than three (3) hours.

2 Lot Size

The lot size for the bids corresponds to a delivery rate of 10 MWh/h.

3 Pricing

In bids for the SCB Product, the Provider may specify a capacity charge in EUR for each lot (10 MWh/h) for the duration of the entire Contract Period. Where a capacity charge is specified, it will be applied constantly throughout the relevant Contract Period regardless of the extent to which the product is actually used. In addition, all gas quantities supplied or received by a Provider will be subject to a commodity charge, which, in the case of gas being supplied by the Provider, the MAM shall pay to the Provider, and which, in the case of gas being received by the Provider, the Provider shall pay to the MAM.

4 Contract Period

The Contract Period, i.e. the period of time throughout which a Provider is required to procure availability of the contracted SCB Product, will generally correspond to a month or a quarter. The Parties may also agree longer periods in individual cases. The Contract Period will in each case commence at the start of the first gas day of the relevant Contract Period (06:00 hours on the first calendar day falling within that period) and end on the last gas day of the relevant Contract Period (06:00 hours on the calendar day following the last calendar day falling within that period).

5 Bidding Period and Submission of SCB Bids

- 5.1 In response to each invitation to tender published by the MAM for the SCB Product, Providers may submit bids for one or several lots.
- 5.2 In the case of subsection 1.1, the storage operators may specify a technical minimum delivery rate to be complied with for the issuance of Call Orders for each storage facility in question ("Minimum Call Rate"). Any such Minimum Call Rate would be published in advance by the MAM. If the bids received by the MAM for a storage facility do not reach the Minimum Call Rate specified for that storage facility even when all bids for that storage facility are added together, they will not be considered by the MAM.
- 5.3 Providers will in each case have a period of ten (10) Business Days¹ to submit their SCB Bids (the "Bidding Period"). The start of each Bidding Period will be announced on the MAM's website² no later than one (1) week ahead of the start of the Bidding Period in question.

¹ For the purposes of this Product Description, "**Business Day**" means any day between and including Monday to Friday other than a public holiday and other than the 24th and 31st of December, with any day recognised as a public holiday in any German state being deemed to be a public holiday.

² <http://www.net-connect-germany.com>

- 5.4 All SCB Bids rank at rank 4 of the Merit Order List (MOL).
- 5.5 All SCB Bids must be placed in accordance with the terms set out in the relevant invitation to tender published by the MAM, submitted through the Bidding Platform³ and specify at least the following information:
- the identity of the Provider,
 - the lot size pursuant to section 2 above,
 - whether the Provider offers to supply gas to the MAM or receive gas from the MAM,
 - in the case of subsection 1.1, the storage facility and the storage operator in the LO balancing zone which is to supply or receive the low-CV gas quantities
 - the balancing group number of a balancing group contract registered by the Provider for gas of low-CV quality
 - the commodity charge (in EUR/MWh) offered pursuant to section 3 above,
 - the capacity charge (in EUR per lot per Contract Period) offered pursuant to section 3 above.
- 5.6 Providers have the right to amend or withdraw any SCB Bid previously placed up until the end of the relevant Bidding Period. All amendments and withdrawals of SCB Bids must be declared through the Bidding Platform⁴. In the event that the MAM's Bidding Platform is unavailable, Providers may amend or withdraw their SCB Bids by sending an email to balancing-gas@net-connect-germany.com. Once a Bidding Period has ended, all Providers will be bound by their SCB Bids.
- 5.7 It is not permitted for the storage operators themselves to participate in tender invitations for the SCB Product in the role as provider.

6 Supplemental Tender Invitations

The MAM may invite supplemental tenders for the SCB Product, if, in respect of the SCB Product, it identifies a requirement which cannot be met, or can no longer be met in good time, if the conditions set out in sections 4 and 5 hereinabove are complied with, or if a requirement identified

³ <https://regelenergie.net-connect-germany.de/emwebncg/startApp.do>

⁴ <https://regelenergie.net-connect-germany.de/emwebncg/startApp.do>

could not be met, or could not be fully met, by a tender invitation in accordance with the conditions set out in sections 4 and 5. In any such supplemental tender invitation the MAM shall have the right to specify a shorter Contract and/or Bidding Period than provided in sections 4 to 5 above, the MAM shall have the right to announce the corresponding Bidding Period on its website at shorter notice than required under section 5 above, and shorter notice periods may be provided for the Provider's notification obligations under the provisions of section 5 above. Other than that, the provisions set out in this Product Description shall apply accordingly to all such supplemental tender invitations.

7 Acceptance of SCB Bids

7.1 SCB Bids will generally be accepted based on the projected total cost per lot as determined for each SCB Bid in accordance with sections 7.2 or 7.3 as well as the published Minimum Call Rate pursuant to section 5.2 of this Product Description.

7.2 The projected total cost of each SCB Bid for the supply of gas by a Provider (System Buy) will be determined according to the following formula:

$$PTC_{Buy} = (Cap + Com \times LS \times SD)$$

where

PTC_{Buy} = the projected total cost in EUR per lot

Cap = the capacity charge in EUR per lot offered pursuant to sentences 1 and 2 of section 3 above

Com = the commodity charge in EUR/MWh offered pursuant to sentence 3 of section 3 above

LS = the lot size in MWh/h offered by the Provider pursuant to section 2

SD = the projected service duration in hours; the service duration expected in each case will be calculated by the MAM on the basis of appropriate assumptions, particularly – provided any Call Orders have been issued – based on historical data available for the relevant period from past years

7.3 The projected total cost of each SCB Bid for the receipt of gas by a Provider (System Sell) will be determined according to the following formula:

$$PTC_{Sell} = Cap - Com \times LS \times SD$$

where

PTC_{Sell} = the projected total cost in EUR per lot
 Cap = as defined in section 7.2 above
 Com = as defined in section 7.2 above
 LS = as defined in section 7.2 above
 SD = as defined in section 7.2 above

- 7.4 The MAM will accept the combination of bids that most cost-effectively covers the tendered balancing requirements. If the bids submitted for a storage facility in the LO balancing zone do not reach the Minimum Call Rate published for this storage facility, none of the bids submitted for this storage facility will be accepted.
- 7.5 Upon acceptance of an SCB Bid submitted by a Provider, a System Balancing Transaction Agreement for the SCB product (“Agreement”) will be created between the Provider and the MAM for the duration of the relevant Contract Period. Where the MAM accepts an SCB Bid, the MAM will provide notice of acceptance to the relevant Provider by email. In its email the MAM will specify the exact reference numbers for all SCB Bids submitted by the Provider that have been accepted by the MAM. The Provider shall acknowledge receipt of this email immediately by sending a confirmation email to the email address balancing-gas@net-connect-germany.com set up by the MAM. This confirmation is required for verification purposes only; the validity of the individual System Balancing Transaction Agreements concerned will remain unaffected. Providers whose SCB Bids have not been accepted by the MAM will also receive notice by email informing them of the SCB Bids that have not been accepted. Providers will not be required to confirm receipt of any such email.
- 7.6 Providers shall have no legal claim against the MAM to require the MAM to accept any SCB Bid.

8 Issuance of Call Order

- 8.1 Where an Agreement has been created between a Provider and the MAM, the MAM shall be entitled to instruct the Provider to supply or receive gas at the agreed delivery rate. The supply or receipt of the instructed low-CV gas quantities shall occur within sixty (60) minutes, but the physical effect does not have to occur on the hour.
- 8.2 The MAM will issue Call Orders pursuant to section 1.1 in direct coordination between the MAM and the storage operator acting on behalf of the Provider. The low-CV gas quantities instructed to be supplied or received under the Call Order will neither be nominated nor allocated to the

Provider's balancing group. All Call Orders for lots contracted by the Provider will be issued to the storage operator specified by the Provider pursuant to section 5.5, fourth indent.

Without undue delay, the Provider will receive from the MAM an overview in Excel format specifying the following details:

- Gas day
- Delivery hour
- Call Order quantity
- Storage operator

8.3. The MAM will issue Call Orders pursuant to section 1.2 in direct coordination between the MAM and the Provider.

Without undue delay, the Provider will receive from the MAM an overview in Excel format specifying the following details:

- Gas day
- Delivery hour
- Call Order quantity

In addition, the MAM will make a nomination into or from the Provider's balancing group pursuant to section 5.5 for the Provider and MAM (single-sided nomination) at the virtual trading point of the MAM's market area ("VTP"). Where a Call Order is issued for the supply (System Buy) of gas by a Provider, the MAM will submit an output nomination at the VTP for gas to be offtaken from the Provider's balancing group (VTP output nomination). Where a Call Order is issued for the receipt (System Sell) of gas by a Provider, the MAM will submit an input nomination at the VTP for gas to be delivered to the Provider's balancing group (VTP input nomination).

8.4 As a rule, Call Orders may be issued up to four (4) times per lot per gas day. The gas quantities for which a Call Order has been issued may also be supplied or received in less than one hour, depending on the direction of the Call Order. Quantities not called cannot be transferred to the next gas day. The Provider must ensure that the entire Call Order quantity can be called daily within the Contract Period under the conditions set out in sentence 1 and taking into account the lead time in accordance with sections 1.1 and 1.2 above.

8.5 The Provider shall have no claim against the MAM to receive any Call Orders on its SCB Bids.

9 Order for the Issuance of Call Orders (Merit Order)

- 9.1 For each gas day, the MAM will create a MOL for the supply (System Buy) and receipt (System Sell) of gas quantities. Bids for the SCB Product will only be considered if the structuring requirements of the MAM have a lead time of less than three (3) hours, and only for the LO balancing zone. Therefore, there is no joint ranking with bids made for the Short-Term Balancing Services product and the LTO product.
- 9.2 SCB Bids for the supply of gas (System Buy) will be arranged starting with the lowest price and ending with the highest price. SCB Bids for the receipt of gas (System Sell) will be arranged starting with the highest price and ending with the lowest price.
- 9.3 Notwithstanding the provisions in sections 9.1 and 9.2 of this Product Description, the MAM shall have the right to occasionally issue Call Orders under this Product Description for the purpose of testing the functioning of the relevant systems and the reliability of its available call options (each such Call Order a “**Test Call Order**”) without providing advance notice of this to the relevant Provider. In particular, without limitation, Test Call Orders may be issued to a Provider where considerable time has passed since a Call Order was last issued to the Provider under this Product Description or where there is objective evidence indicating that the Provider may not duly comply with its obligations on receiving a Call Order. In the latter case such evidence shall particularly be deemed to be established, without limitation, where there have been communication problems between the Provider and the MAM, where there has been any case when the relevant contract was not duly performed or where the MAM has any other grounds for suspecting that the Provider may not duly comply with its obligations on receiving a Call Order. The provisions set out in section 13 of this Product Description shall also apply to Test Call Orders.

10 Contractual Relationships in the Case of Section 1.1

(1) Contract between MAM and Provider

If an SCB bid is accepted, a contract pursuant to section 7 above will be concluded between the MAM and the Provider.

(2) Contract between storage operator and Provider

After an SCB bid has been accepted by the MAM, the relevant Provider undertakes to conclude a contract with the storage operator concerned before the respective Contract Period begins and to inform the MAM thereof.

(3) Framework agreement between storage operator and MAM

The MAM will conclude a framework agreement with the storage operator setting out, among other things, rules on communication, data provision and transparency in respect of the contracted services. The provisions of this agreement will also include a right for the MAM to issue Call Orders for the balancing service contracted with the Provider directly to the storage operator.

11. Provider's Duty to Prove Compliance with Contractual Obligations

11.1 In the case of section 1.1, the Provider shall inform the MAM about the conclusion of the contract concluded between the Provider and the storage operator pursuant to section 10 (2) without undue delay after the contractual relationship between the MAM and the Provider pursuant to section 10 (1) has been established.

11.2 In the case of section 1.2, the Provider shall inform the MAM upon request without undue delay which industrial customers and/or RLM Exit Points (section 1.2(a)) or distribution-level storage connection points (section 1.2(b)) it plans to use to supply or receive gas according to this Product Description.

11.3 On request by the MAM the Provider shall prove in a suitable manner that it has duly complied with its obligations under this Product Description or that it is able to do so (as the case may be), especially, without limitation, that it ensures or has ensured its availability to supply (System Buy) or receive (System Sell) gas at all times. In the case of section 1.2, the Provider shall, at the request of the MAM, prove by appropriate means that the change in demand occurred a result of the Call Order by NCG and, in particular, that it had not already been initiated at the time of the Call Order.

11.4 The MAM shall have the right to request pertinent evidence and data from the relevant storage operator and network operator at any time.

12 Exclusion of the Service Obligation of the Provider

In addition to section 7 of the Terms and Conditions for External System Balancing Actions, the Provider shall also be under no obligation to perform the services under this Product Description if the storage operator pursuant to section 1.1 or section 1.2(b) or the RLM end user pursuant to section 1.2(a) selected by the Provider for the performance of the services hereunder is released from its own contractual performance obligations towards the Provider due to force majeure.

In addition, the Provider shall be under no obligation to provide the service in cases where

- due to hazards to persons and/or technical installations and equipment, or
- due to technical malfunctions, or
- due to unpredictable technical restrictions

the service cannot be provided by the storage operator according to section 1.1 or section 1.2(b) or the RLM end user pursuant to section 1.2(a) which the Provider uses in accordance with the terms hereof.

13 Penalty

13.1 If in any single or several hours of a Contract Period a Provider fails to comply with its obligations under this Product Description, whether in whole or in part, without being released from its service obligation in accordance with section 12 of this Product Specification, the Provider shall pay a penalty to the MAM in accordance with section 13.2 of this Product Description.

13.2 Where during any single or several hours of a Contract Period the Provider has been in breach of its obligations under this Product Description – in particular, without limitation, its obligation to ensure its availability to supply (System Buy) or receive (System Sell) gas at all times –, whether in whole or in part, and irrespective of whether or not it has received a Call Order from the MAM, the amount of the penalty to be paid in respect of each contracted lot affected by the breach and for each individual hour in respect of which the Provider has breached its obligations, but for no more than the maximum number of hours that can be called during the Contract Period, shall be determined according to the following formula:

$$PY_h = LS \times (Cap_{max} / h_{CP})$$

where

PY_h = the amount of the penalty payable for the respective lot in respect of the hour during the relevant Contract Period in which the Provider has breached its obligations

LS = the lot size pursuant to section 2 of this Product Description

Cap_{max} = the highest capacity charge in EUR/MW as contracted by the Provider under this Product Description for the relevant Contract Period calculated across all lots contracted by the Provider

h_{CP} = the number of hours for which a Call Order may be issued under the lot in the relevant Contract Period.

13.3 If during a Call Period a Provider fails to comply with its obligations under this Product Description, whether in whole or in part, the Provider shall pay a penalty to the MAM in accordance with section 13.4 of this Product Description.

13.4 Where a Provider has received a Call Order from the MAM and the Provider breaches its obligations under this Product Description during the relevant Call Period, whether in whole or in part, the penalty to be applied shall be an amount equal to 10 per cent of the total fee normally payable in respect of the Call Order affected (“**Call Fee**”), i.e. 10 per cent of the amount that would have been payable

- to the Provider by the MAM if the Provider had duly complied with its obligations in the case of a Call Order issued on a contracted SCB for the supply (System Buy) of gas by the Provider or
- to the MAM by the Provider if the Provider had duly complied with its obligations in the case of a Call Order issued on a contracted SCB for the receipt (System Sell) of gas by the Provider.

The above penalty shall be payable in respect of each hour in which the Provider has been in breach of its obligations as defined above, whether in whole or in part.

13.5 The MAM shall retain the right to claim further damages. Any penalty payable pursuant to this section shall be offset against any such damages payable.

13.6 The foregoing paragraphs shall not apply where the Provider submits evidence to the MAM that the Provider cannot be held responsible for the breach in question.

14. Language

This Product Description is published in the German language and legally binding. Where an English language version of this Product Description is published alongside the original German version, the translation shall be considered a convenience translation only; in the event of any conflict in meaning between the two versions, the German language version shall prevail.