

Press Release

NetConnect Germany publishes fees and charges for the next neutrality accounting period

Ratingen (Germany), 19 February 2016. NetConnect Germany GmbH & Co. KG (NCG) has determined its new balancing neutrality charges, with the SLP balancing neutrality charge being set at 0.8 EUR/MWh and the RLM balancing neutrality charge being set at 0.4 EUR/MWh from 1 April 2016. For the conversion of gas quantities from high calorific quality (“high CV gas”) to low calorific value quality (“low CV gas”) and vice versa the market area manager will apply a conversion fee of 0.453 EUR/MWh. The conversion neutrality charge, which is levied on physical inputs to the market area, will be charged at 0.15 EUR/MWh.

The market area managers have been required to apply two separate balancing neutrality mechanisms since 1 October 2015, one for non-daily metered “SLP” exit points where daily allocations are based on standard load profiles and one for exit points that are equipped with a supply meter installation which records hourly consumption (“RLM” exit points). After setting both balancing neutrality charges to 0 EUR/MWh in the past neutrality accounting period, NCG has now decided to apply an SLP balancing neutrality charge of 0.8 EUR/MWh and an RLM balancing neutrality charge of 0.4 EUR/MWh in the neutrality accounting period running from April 2016 up to and including September 2016. The above amounts have been determined so as to reflect the projected development of system balancing requirements and of the volumes to be contracted through the tendering processes for long-term balancing services, among other factors. In a policy paper describing key principles for measures to improve natural gas supply security the German Federal Ministry for Economic Affairs and Energy (BMWi) has provided that the quantities contracted through existing long-term

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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balancing products be increased so as to ensure that a secure supply can be maintained even under extreme regional supply/demand scenarios.

In the period since March 2015, NCG has observed an increased use of the virtual conversion mechanism by market participants in its market area, especially for the conversion of gas from high CV to low CV quality. In view of the current balance of the conversion neutrality account, the projected development of the conversion mechanism overall and a changed market environment for low CV gas, the conversion fee has been set at 0.453 EUR/MWh, an amount equal to the applicable fee cap imposed by the German national regulatory authority Bundesnetzagentur. For the first time, NCG has also decided to apply a conversion neutrality charge of 0.15 EUR/MWh, a charge that is levied on the physical inputs delivered to the market area and that was introduced on 1 October 2012.

The balancing neutrality charges, the conversion fee and the conversion neutrality charge will regularly each apply for a period of six months. According to preliminary injunction of the German regulator "Bundesnetzagentur" NCG however has the possibility to short-term increase the conversion fee for the conversion of gas quantities from high CV gas to low CV gas to a maximum of up to 1.811 EUR/MWh because of an unpredictable development of the conversion activities since January 2016 which has led to a significantly increased demand of balancing gas in the market area.

Because of developments during the last days NCG initially refrains from raising the conversion fee for the conversion of gas quantities from high CV gas to low CV gas to a maximum of up to

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1.811 EUR/MWh. Nevertheless NCG reserves the right to raise the conversion fee - if necessary - at a later time. Hereby a more source-based assignment of incurred costs would be achieved.

	Until 31 March 2016	From 1 April 2016
Conversion fee	0.3 EUR/MWh	0.453 EUR/MWh
Conversion neutrality charge	0 EUR/MWh	0.15 EUR/MWh
SLP balancing neutrality charge	0 EUR/MWh	0.8 EUR/MWh
RLM balancing neutrality charge	0 EUR/MWh	0.4 EUR/MWh

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