



**NetConnect
Germany**

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ANNUAL SYSTEM BALANCING REPORT PURSUANT TO THE GABI 2.0 RULING [EXCERPT]

Current as at: November 2020

10. SUMMARY AND OUTLOOK

10.1. SUMMARY OF GY 19/20

As in previous years, we took nearly all our balancing actions in GY 19/20 by trading spot contracts on the gas exchange (PEGAS and EEX, respectively), with our transactions usually being priced at normal market price levels. With market prices plummeting across the board, our costs for exchange-based balancing actions in GY 19/20 again dropped substantially on the previous year.

In GY 19/20 we implemented a few changes to the product portfolio we use for external balancing actions in the NCG market area. Against the backdrop of the implementation of virtual interconnection points (VIP) as of 1 April 2020, the hourly products switched to being traded for delivery in a specified balancing zone (“zone-specific” product) instead of at specified network points (“point-specific” product). In addition, we launched our new product “Short-Call Balancing Services” (SCB) within MOL 4 on 1 May 2020.

Our overall balancing quantities came in below the previous year, both in the rest-of-the-day (RoD) and day-ahead (DA) segments as well as in the hourly product range used for structuring purposes. The exceptional situation due to the Corona lockdown in the spring of 2020 had no significant impact on either the course or scope of NCG’s external balancing activities.

Looking beyond our daily balancing operations, our work in GY 19/20 was predominantly shaped by the upcoming market area merger. For more details see the text below.

10.2. THE JOINT GERMAN MARKET AREA THE: OUTLOOK

The two current German market areas NetConnect Germany (NCG) and GASPOOL will be merged to form the new market area “Trading Hub Europe” (THE) with effect from 1 October 2021. The two market area managers have been busy working closely with the transmission system operators (TSOs) to define all aspects of the new market area. The information provided below is to give market participants an overview of the current state of debate concerning the area of system balancing.

All external balancing activities required within the new market area will be carried out centrally for the entire market area by THE. The current merit order (MOL) as set out in the Federal Network Agency’s “GaBi Gas 2.0” ruling on gas balancing will remain unchanged.

Merit order rank (MOL)	Products			
1 Title Market Transactions – Global –	Balancing transactions via exchange within own market area (Title products traded for VTP delivery)			
2 Title Market Transactions / Locational Market Transactions – Quality / Local –	Balancing transactions via exchange within own market area (Products subject to specific physical delivery restrictions)		Balancing transactions via exchange within adjacent market area (TTF)	
4 Balancing Services – Local –	Long-Term Options (LTO) (Products for delivery in a specified balancing zone/sector or network area)	Short-Term Balancing Services (STB) (Products for delivery in a specified balancing zone/sector or network area)	Flexibility Services (Products for the temporary supply and receipt of gas at physical entry and exit points)	Short-Call Balancing Services (SCB) (Products for delivery in a specified balancing zone)

Figure 17: Product overview by MOL for the market area THE

Based on the current state of debate, the following exchange products will be used by THE for the purpose of taking balancing actions on a RoD/DA basis within MOL 1 and MOL 2:

		Within-Day/Day-Ahead/ Saturday/Sunday/Bank Holiday
Balancing trades		Global
		Quality H
		Quality L
		TTF
		Low-CV areas (North L, South L)
	MBI trades	High-CV areas (North H, South H)
		High-CV area VIPs (North H NL, North H BE, South H NL, South H BE)
		High-CV area clusters (North H Cluster, South H Cluster)

Figure 18: Overview of exchange product portfolio (RoD/DA) for the market area THE

The global and quality-specific products currently traded on the exchange separately for each market area will be combined into single THE products.

With regard to the range of locational products there will be some changes against the background of the introduction of the so-called “market-based instruments” (MBI) on 1 October 2021. The new product range has been developed with a view to ensuring that the number of order books is kept as small as possible whilst making it possible for the same locational order books to be used for balancing purposes as well as for MBI actions (specifically: “spread trading”). External balancing actions in accordance with the GaBi Gas 2.0 ruling and MBI-related trades entered into on behalf of the TSOs will always be carried out strictly separately

but depending on the requirements in each case the same order books may be used for both purposes.

In addition, there will continue to be a need for hourly products for structuring purposes for the low-CV sectors of the market area THE.

More detailed information on which physical entry and exit points are assigned to the individual areas and products will be announced in due time; the delivery restrictions corresponding to each product will continue to be set out in section 25 of the Balancing Group Contract Terms & Conditions (Appendix 4 of the German “Cooperation Agreement”), which will be amended with effect from 1 October 2021.

With regard to MOL 4, our working assumption is that all products used in the NCG and GASPOOL market areas today will be continued in the new market area, with tendering to take place via a separate, single THE bidding platform. The rules setting out the requirements for prequalification are being revised along with the applicable terms and conditions and product descriptions, all of which will be made available to market participants with sufficient notice before the start of the first long-term tenders for the market area THE.

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