BGM Customer Event

October 2025

Agenda

1. Introduction to the conversion system
2. Development of L-Gas demand
3. Special Situation in Summer 2025
4. Development of conversion quantities
5. Conversion neutrality charge and fee

Introduction to the conversion system

General information

Gas in Germany comes in two different qualities:

- High-energy gas (H-gas) with a high calorific value
- Low-energy gas (L-gas) with a low calorific value

The gas qualities are transported in separate pipeline systems, but can be traded across linked balancing groups in multi-quality gas trades

If the gas withdrawn from the system at an exit point has a different quality to the gas injected at an entry point, a conversion is deemed to have taken place.

- Gas can be 'converted' by means of blending facilities, multi-quality transportation via the Netherlands and/or the reversed use of system balancing actions

Conversion is governed by two determinations by the Federal Network Agency:

- 'Determination on the introduction of a conversion system in multi-quality gas market areas' dated 27 March 2012 (Ref. BK7-11-002, also known as the 'Konni Gas' ruling)
- 'Determination on the adjustment of the conversion system in multi-quality gas market areas' dated 21 December 2016 (Ref. BK7-16-050, also known as the adjustment to the 'Konni Gas' ruling)

Terms and definitions

Virtual conversion

Aggregate calculated as the sum of the quantities converted per balancing group portfolio in each direction

System-wide virtual conversion

Conversion in a virtual portfolio comprising all balancing groups that can participate in the conversion system

Technical conversion

Conversion by means of blending facilities or reverse transportation (includes gas imports and exports carried out for conversion purposes)

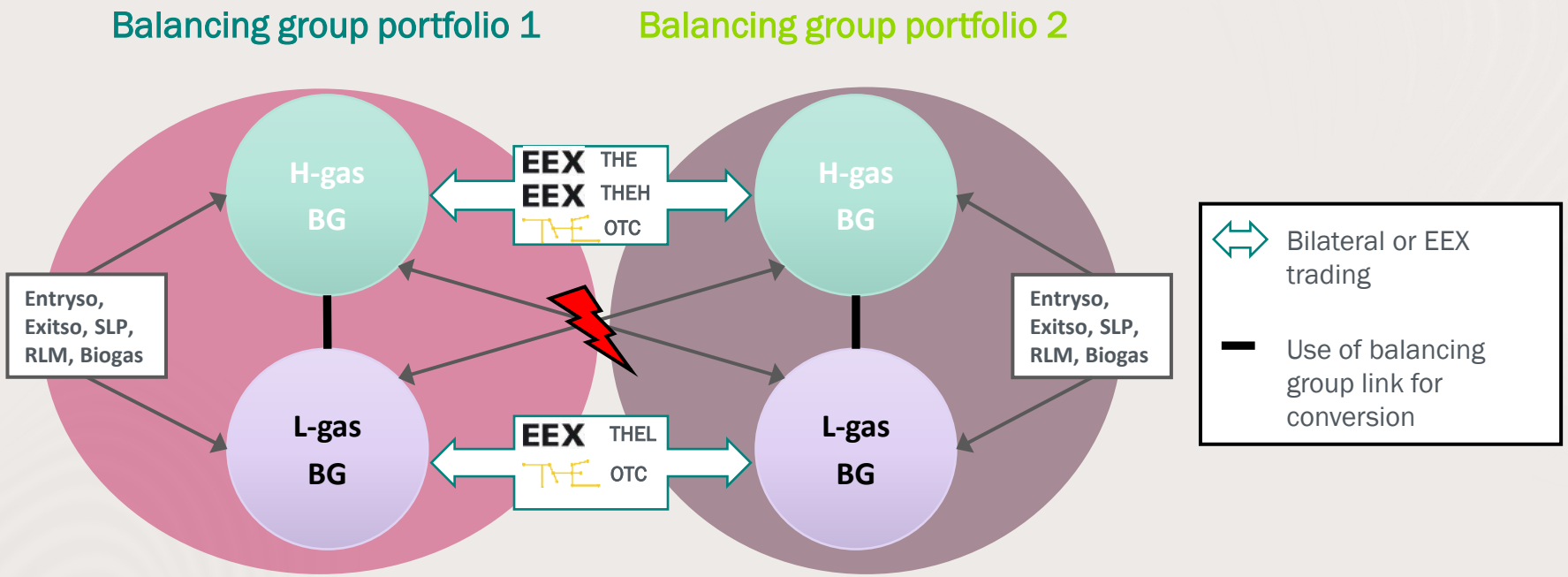
Commercial conversion

Aggregate calculated as the sum of the system balancing actions in the buy and sell direction taken in opposite directions up to the system-wide virtual conversion quantity

Multi-quality trading 1/3

- A company's H-gas and L-gas balancing groups have to be linked
- Transfer at the VTP is only possible for gases that have the exact same quality (i.e. not directly between H-gas and L-gas balancing groups)
- EEX trading involving the THE VTP as the place of performance is possible for the H-gas or L-gas balancing group
- Daily balances recorded in opposite directions across interlinked balancing groups of different qualities can (currently) only be invoiced with the option of a conversion fee in the direction from H-gas to L-gas
- The remaining daily balance is invoiced as an energy imbalance quantity

Multi-quality trading 2/3



If there is an oversupply of H-gas and an undersupply of L-gas in the daily balance of the balancing group portfolios, the conversion fee is charged for the lower balance.

Multi-quality trading 3/3

- The conversion fee for conversions from H-gas to L-gas is valid for an unlimited period of time.
- Companies (BGMs) must link H-gas and L-gas balancing groups
- BGMs pay an incentive-based fee in the direction from H-gas to L-gas – there is no conversion fee for the direction from L-gas to H-gas
- The conversion fee is determined on an ex-ante basis before the respective period of validity
- The MAM incurs costs for blending facilities operated by third parties, gas imports and exports carried out for conversion purposes and/or system balancing actions in opposite direction
- Most of the costs are covered by a conversion neutrality charge levied on all quantities fed into the system

Transparency rules for the MAM

The MAM must publish the following no later than five working days after the end of each month:

- Provisional monthly balance of the conversion neutrality account
- Provisional information on the scope and price of commercial and technical conversion measures

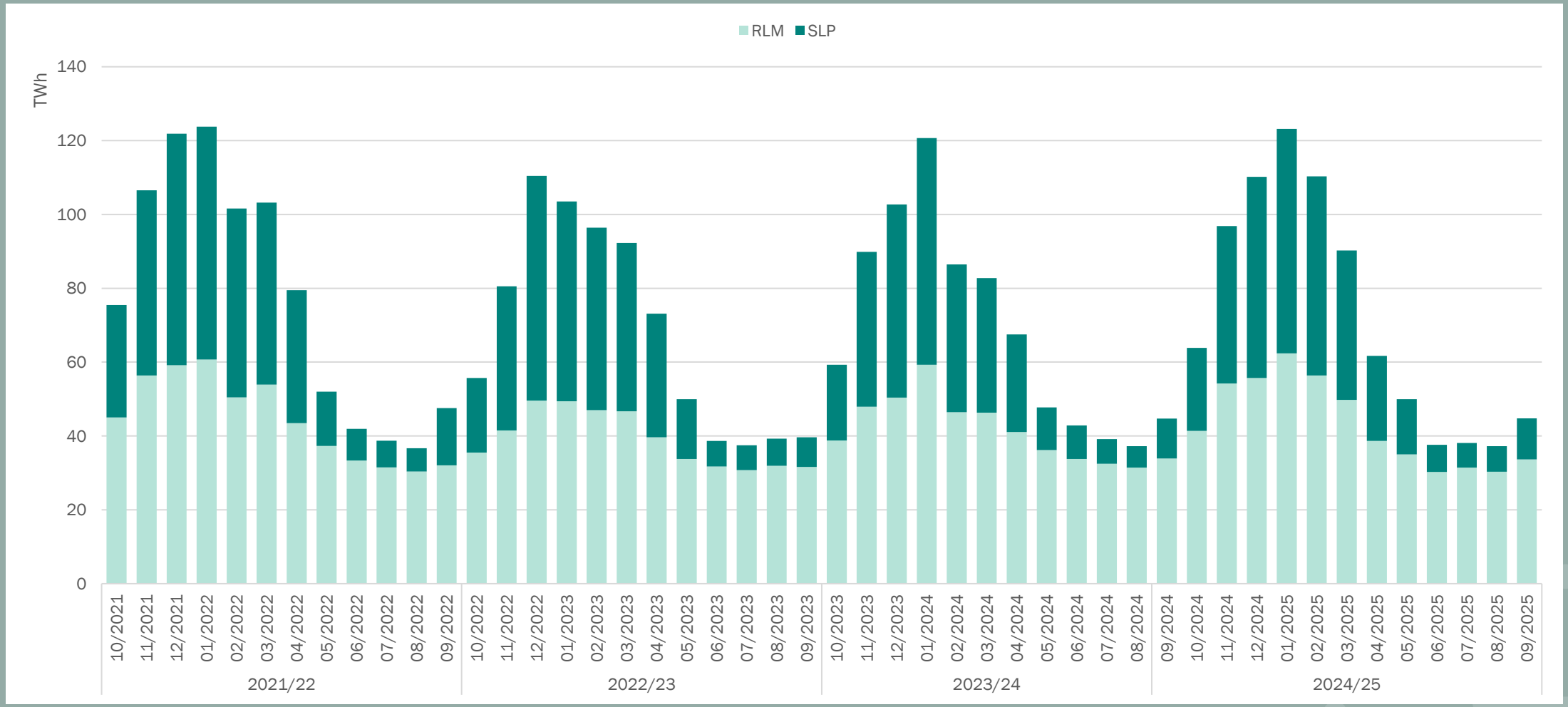
The MAM must also publish the aggregated daily virtual conversion quantities based on the provisional allocation data for each conversion direction.

All publications based on provisional data must be updated once the final data is available.

The MAM must also disclose the amount of the liquidity buffer as part of the publication of the conversion neutrality account.

Development of L-gas demand

Development of L-gas demand



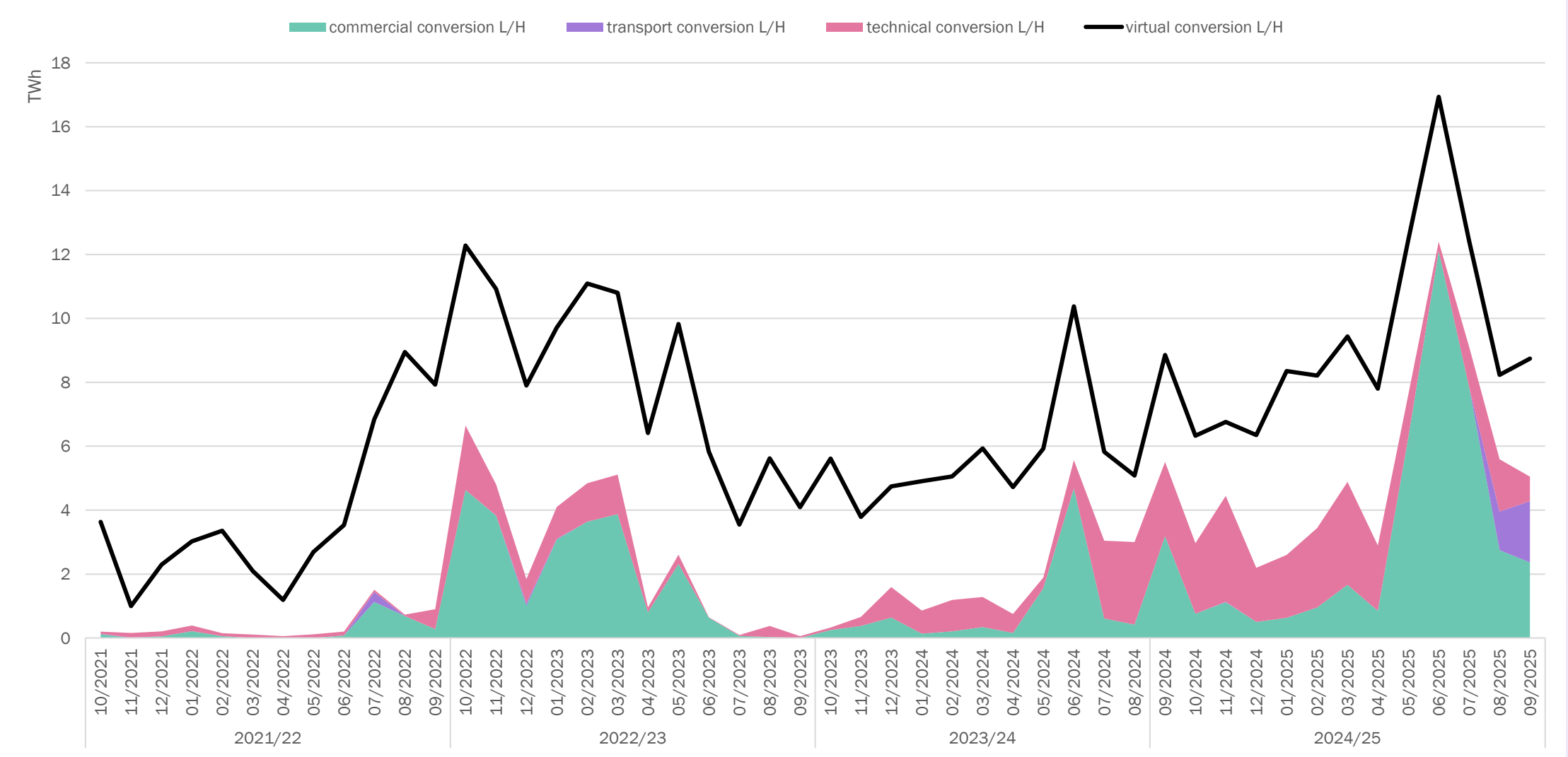
Special Situation in Summer 2025

High conversion requirements Summertime 2025

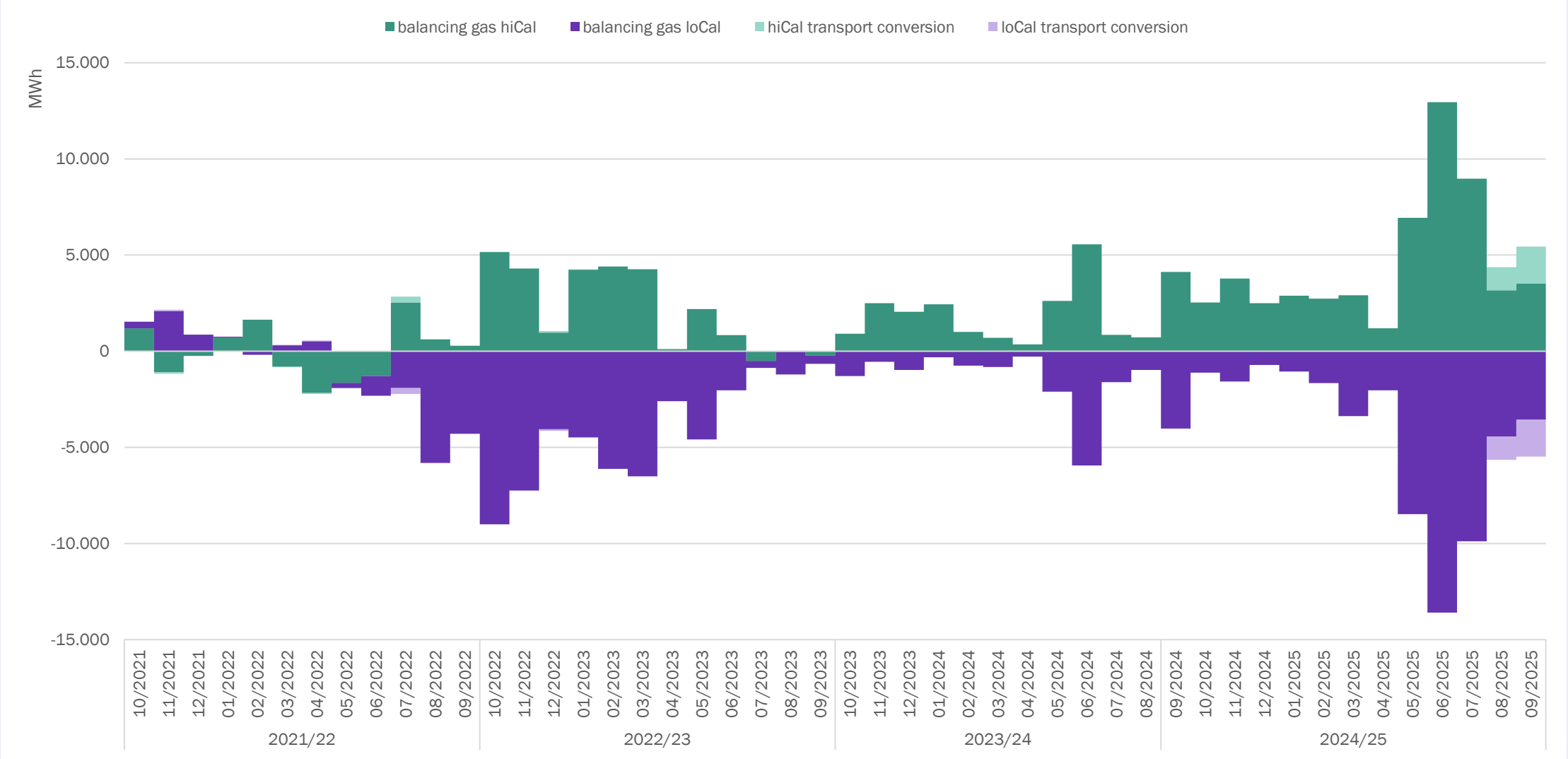
- Since mid-May 2025, there have been high conversion requirements (from L-gas to H-gas) in the THE market area.
- There were high (entry) nominations in L-gas, significantly higher than the actual physical L-gas consumption
- The corresponding quantities were missing in the conversion system logic on the H-gas side.
- As a result, THE had to sell large quantities (balancing gas) in L-gas and buy them in H-gas.
- From THE's perspective, the nomination behavior appears unusual, which is why the MTS was informed.
- THE has also examined the situation and was able to identify improper behavior by some balancing group managers (BGM) in several cases.
- To protect the balancing account, the situation continues to be analyzed in detail, and the penalty rules defined in the balancing group contract are being applied.

Development of conversion quantities

Development of conversion quantities



Development of quality-specific system balancing actions



Neutrality charge and fee

Conversion neutrality charge and conversion fee

GY	Conversion fee (H/L)	Conversion fee (L/H)	Conversion neutrality charge
2021 / 2022	EUR 0.45 / MWh	EUR 0.00 / MWh	EUR 0.00 / MWh
2022 / 2023	EUR 0.45 / MWh	EUR 0.00 / MWh	EUR 0,38 / MWh
2023 / 2024	EUR 0.21 / MWh	EUR 0.00 / MWh	EUR 0.00 / MWh
2024 / 2025	EUR 0.00 / MWh	EUR 0.00 / MWh	EUR 0.00 / MWh
2025 / 2026	EUR 0.00 / MWh	EUR 0.00 / MWh	EUR 0.18 / MWh

Thank you!

TRADING HUB EUROPE
keep in balance

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