

1 Introduction

Operative part 9(a) of the decision adopted by Ruling Chamber 7 of the Federal Network Agency (BNetzA) on balancing gas of 19 December 2014 (BK7-14-020; GaBi Gas 2.0) requires market area managers (MAMs) to submit an annual report to BNetzA on the procurement of balancing gas and the use of system balancing actions in their market areas. During the course of gas year (GY) 20/21, the two previous German MAMs – GASPOOL Balancing Services GmbH and NetConnect Germany GmbH & Co. KG – were merged into one single company renamed Trading Hub Europe GmbH (THE GmbH). THE GmbH began operations on 1 June 2021. Up until 1 October 2021, it continued to act as MAM for the two market areas GASPOOL and NetConnect Germany (NCG), and since 1 October 2021, it has been the MAM of the single Germany-wide market area Trading Hub Europe (THE).

This System Balancing Report covers GY 20/21 and is the last System Balancing Report for GASPOOL and NCG as two separate market areas. As it is already drawn up by THE GmbH, this document contains both reports, each separately in its own chapters. In order to maintain consistency with the previous year's reports, the previous reporting system is retained in both chapters. The first System Balancing Report for the Germany-wide market area THE will be published after the end of GY 21/22.

1.1 Conclusions for GASPOOL market area

The MAM's system balancing actions in the GASPOOL market area in GY 20/21 saw a huge increase in both purchase and sales volumes compared to previous years, which was mainly due to unusually extensive conversion activities by market participants. Sales were mainly high CV gas sales, while purchases were low CV gas. The total balancing gas quantities deployed over the course of the year (gross quantities) doubled compared to the previous year. On balance, these actions resulted in a net sales volume which, due to price developments in GY 20/21, led to net revenues of around EUR 7 million. The increase in quantities was also reflected in an increase in the number of balancing actions. With regard to prices, it can be noted that GY 20/21 saw a more or less steady increase in prices compared to the previous year. Towards the end of the GY in particular, prices rose sharply, which in September 2021 resulted in an almost fourfold increase in monthly costs compared to October 2020, despite comparably high quantities of balancing gas used.

As in previous years, the neighbouring TTF market area reported a regular use of system balancing actions in GY 20/21, although the quantities procured there were slightly below those of the previous year.

Almost all of the balancing gas was traded on the exchange. In addition to the purchase and sale of MOL 1 and MOL 2 products on the exchange, MOL 4 flexibility services and LTO products were again used in GY 20/21 in order to implement the BMWi policy paper. There was no need to issue a tender for the STB product.

1.2 Conclusions for NCG market area

As in previous years, balancing gas was procured almost exclusively on the EEX Gas spot market in GY 20/21, with market prices generally at the usual level. In keeping with general price developments in the market, the costs for exchange-based balancing gas purchases increased again in GY 20/21 compared to the previous year. In terms of gas procurement, GY 20/21 saw the total quantities procured almost double because of the unusually high conversion activities during the gas year. For RoD/DA products, the high sales also resulted in a net sales position over the course of the year, which led to a 50% reduction in net costs. For hourly balancing actions taken for the purpose of structuring gas flows, the rising prices, among other things, again led to a strong increase in costs while total annual quantities remained almost identical.

Apart from the operational system balancing activities, GY 20/21 was very much characterised by the activities surrounding the market area merger. An overview of the Trading Hub Europe market area is provided in the next chapter.

2 Balancing gas in joint THE market area

Launch of market area

With effect from 1 October 2021, the previous two market areas GASPOOL and NCG were merged to form the new market area Trading Hub Europe (THE). The launch of the new market area was an overall success with the conversion of the MAM systems and dispatching centres completed successfully despite the complex system landscape. As regards the connection to the exchange for external system balancing transactions, EEX initially experienced some technical issues at the interface between the MAM and the exchange, making it temporarily impossible to perform external system balancing transactions via the EEX order books. During this initial period, call orders for balancing gas were based on MOL 4 products, i.e. LTO products in the RoD and Hourly product variants as well as STB products. After about two hours, the interface issues had been resolved. Since then, external system balancing transactions on the exchange have again been executed smoothly. Up to the editorial closing date for this report, no further call orders based on LTO or STB products had to be made.

The quantities used for external system balancing transactions in October and November 2021 developed roughly in line with an average year. On the cost side, however, the picture was different: Wholesale prices – and hence prices in the balancing gas market – had already risen sharply towards the end of GY 20/21 (see explanations in chapters **Fehler! Verweisquelle konnte nicht gefunden werden.** and **Fehler! Verweisquelle konnte nicht gefunden werden.**). This development continued beyond the launch of the new market area, so that THE GmbH incurred total net costs of around EUR 400 million for external system balancing transactions in October and November. For this reason, THE expects costs relating to external system balancing transactions to increase significantly over the coming months.

Detailed information and assessments of the system balancing actions in the THE market area will follow in the next System Balancing Report, which will be published after the end of GY 21/22. The following information is intended to provide market participants with an overview of the main framework conditions governing system balancing.

Areas and zones in the market area

THE market area is divided into the following areas and zones:

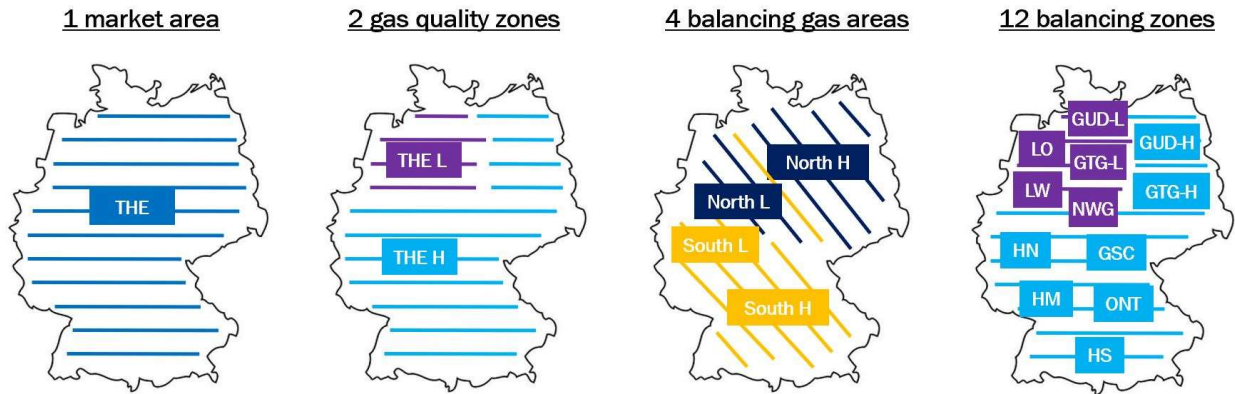


Figure 1: Areas and zones in THE market area

What is new compared to the previous GASPOOL and NCG market areas is the subdivision of the market area into so-called balancing areas below the high CV gas and low CV gas quality zone level. The layout of the individual areas and zones is derived from the list of THE entry and exit points, which is published on the THE website in the download centre.

Product portfolio

The following products are used for the employment of balancing gas in the THE market area:

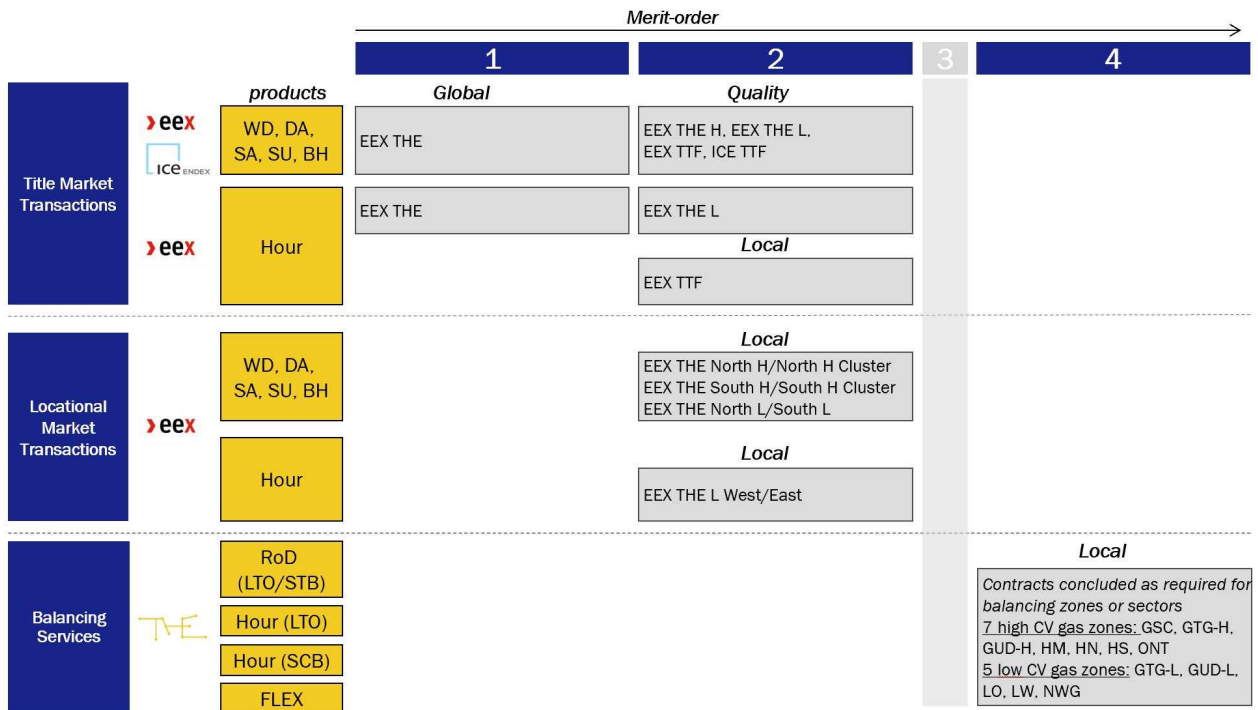


Figure 2: Overview of THE balancing gas product portfolio

MOL 1 and 2 products are traded by the MAM directly on the exchange as before. The permission to use the TTF for the procurement of balancing gas in the neighbouring market area remains in place. All information on balancing gas purchases is published on the THE website.

For MOL 4 products, tenders are issued on the Balancing Services Portal of THE GmbH, which is open to all prequalified suppliers. All long-term tenders are announced on the THE website and the results of these tender are also published there. The prequalification rules, product descriptions and other contractual documents can also be found on the THE website in the download centre.

With regard to the local MOL 2 high CV gas products traded on the exchange, it should be noted that there have been some changes compared to last year's System Balancing Report: Following the postponement of the introduction of THE VIPs at the borders with the Netherlands (TTF-THE-H) and Belgium (THE-ZTP) in high CV gas, the new VIP order books for market-based instruments (MBIs) or external system balancing actions are no longer required for the time being, which is why they have not yet been introduced as of 1 October 2021.

Likewise, the hourly product "North L (Hour)", which was originally planned for structuring purposes, has not been introduced for the time being. If this changes, THE GmbH will inform all market participants in good time.

Fees and charges

From 1 October 2021, the following fees and charges will be levied in the THE market area:

SLP balancing neutrality charge	0 EUR/MWh
RLM balancing neutrality charge	0 EUR/MWh
Conversion charge	0 EUR/MWh
Conversion fee (H-to-L)	0.45 EUR/MWh
VTP fee	0.001 EUR/MWh

Please note that this English text is a courtesy translation of the German original text and only the German version is considered the authoritative version.