

FAQs – Tendering Process of Trading Hub Europe GmbH (THE GmbH) for the Provision of Market-Making Services

Current as at: May 2021

Question 1:

Is it the classic market-maker model where the provider is required to quote a bid/ask spread?

Answer 1:

No, it is a volume-based model under which the provider is obliged to carry out buy and/or sell transactions, thereby increasing the trading volume in the NetConnect Germany (NCG) and/or Trading Hub Europe (THE) futures and forward markets.

Question 2:

Do period spreads also count towards the number of transactions?

Answer 2:

Yes, however, only deals involving the products covered by the tender may be considered by the Market Maker (Month+2 and Quarter+2).

Example: As part of a period spread, the price difference between two delivery periods, e.g. Quarter+2 and Quarter+3, is traded, with the trader buying Quarter+2 and selling Quarter+3. The counterparty trades exactly the opposite. A price difference (for example 0.20 EUR/MWh) is agreed in the spread order book. Upon completion of the deal, "real" deals will be listed in the Quarter+2 and Quarter+3 order books.

Question 3:

How many bids may Market Makers submit for each Contract Period?

Answer 3:

THE GmbH will only consider one bid per Market Maker.

Question 4:

Can the Transactions also be entered into before or after the respective Contract Period (1 July 2021, 06:00 hours to 1 January 2022, 06:00 hours)?

Answer 4:

All contractually agreed Transactions must be entered into during the Contract Period. Delivery on an agreed Transaction may also take place after the Contract Period.

Question 5:

What product types must be used to carry out the Transactions?

Answer 5:

Each Transaction carried out under the Market-Making Services Agreement must be for the contract type Month+2 and/or Quarter+2.

- Month+2
 - Example 1: On a trading day in month July 2021, trading takes place for delivery in month September 2021 at the NCG VTP
 - Example 2: On a trading day in month August 2021, trading takes place for delivery in month October 2021 at the THE VTP
- Quarter+2
 - Example 1: On a trading day in 3rd quarter 2021, trading takes place for delivery in 1st quarter of 2022 at the THE VTP
 - Example 2: On a trading day in 4th quarter 2021, trading takes place for delivery in 2nd quarter of 2022 at the THE VTP

Question 6:

How are the two product types weighted in the context of the bid submission process according to section 4.2 of the Market-Making Services Agreement?

Answer 6:

All bids received from Market Makers will be ranked in order of the number of Transactions offered.

For example, if a Market Maker has offered a total of six Transactions, the Market Maker may perform the Agreement by:

- executing two Quarter+2 Transactions or
- executing one Quarter+2 Transaction and three Month+2 Transactions or
- executing six Month+2 Transactions.

Question 7:

The Market Maker has an obligation to provide proof to THE GmbH by submitting conclusive documentation evidencing each single transaction on the Market Maker's own initiative. What document types does THE GmbH accept in this context?

Answer 7:

Conclusive documentation includes the types of documents made available to the Market Maker by the relevant broker(s), exchange(s) or digital OTC trading platform(s).

Question 8:

Due to the planned merger of the two German market areas GASPOOL and NCG on 1 October 2021, it will no longer be possible to carry out Quarter+2 Transactions for delivery at the NCG VTP. Is it permissible for the Market Maker to fulfil the Market-Making Services Agreement using Quarter+2 Transactions for delivery at the THE VTP with regard to the current tender for the second half of the calendar year 2021?

Answer 8:

Quarter+2 Transactions can only be used for delivery at the THE VTP to fulfil the Market-Making Services Agreement.