

Statement of the Basis of the Gas Storage Neutrality Charge

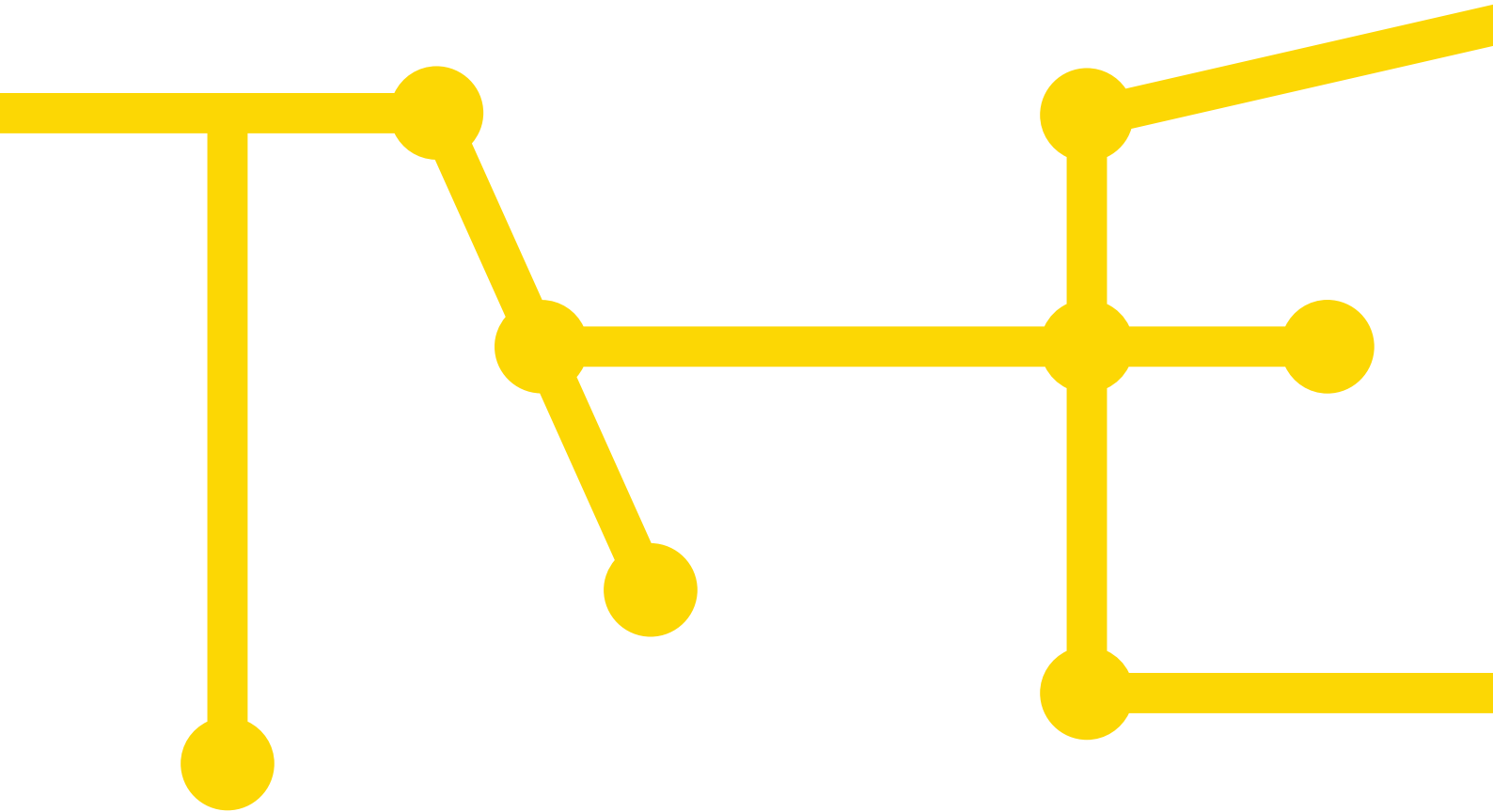


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List of abbreviations

BGM	Balancing group manager
BK7	Ruling Chamber 7 of the Federal Network Agency
BNetzA	Federal Network Agency
EnWG	Energy Industry Act
EnSiG	Energy Security Act
GasSpFüllstV	Ordinance on minimum gas storage levels
MAM	Market area manager
RLM	Intraday-metered customers
THE	Trading Hub Europe GmbH
SLP	Customers whose consumption is determined on the basis of a standard load profile
SSBO	Strategic Storage Based Options (as per Sections 35c and 35d of the Energy Industry Act)

1 Introduction and background to the gas storage neutrality charge

In order to ensure security of supply, the legislator has introduced a combination of measures which include mandatory filling levels for gas storage facilities as well as market-based measures such as the tendering of strategic options. The relevant piece of legislation is the act on minimum gas storage levels ("Gesetz zur Einführung von Füllstandsvorgaben für Gasspeicheranlagen") (Part 3a of the Energy Industry Act (EnWG)), which came into force on 30 April 2022. The act calls for the minimum gas storage levels to be reached either through measures provided for in Section 35c EnWG, such as the tendering of strategic options, the so-called Strategic Storage-Based Options (SSBOs) for gas injection into storage in accordance with market-driven needs (measures according to "Stage 1" and "Stage 2") or through the injection of gas to use of unused storage capacities (measures according to "Stage 3"). The market area manager (MAM) has been appointed to implement the measures across all stages.

The minimum storage levels to be reached pursuant to section 35b (1) EnWG in conjunction with Section 1 (1) of the Gas Storage Filling Ordinance (GasSpBefüllV) are as follows:

1 October:	85%
1 November:	95%
1 February:	40%

Trading Hub Europe GmbH (THE) in its capacity as MAM has thus been assigned a new statutory role in helping to ensure security of supply. The costs and revenues associated with the execution of this role are to be passed on to the balancing group managers (BGM) via the gas storage neutrality charge which is levied from 1 October 2022 for the first time.

THE's concept underlying the methodology of the new gas storage neutrality charge was consulted with the market in June 2022 and subsequently approved by the Federal Network Agency (BNetzA) in its ruling BK7-22-052 of 29 July 2022. Given the time horizon of the provisions of the Gas Storage Act, the scope of application of the concept is limited to the period from 1 October 2022 to 31 March 2025.

2 Calculation methodology

All costs and revenues related to the gas storage neutrality charge are recorded in a neutrality charge account. At the end of the statutory period, the balance of the account (inclusive of all costs and revenues still to be expected for the balancing period) should preferably be zero euros. The gas storage neutrality charge is thus calculated with the aim having a neutrality charge account which is balanced at the end of the balancing period.

The calculation of the gas storage neutrality charge is based on the following key elements:

- Period under review for the projection: Given the statutory time limit, the neutrality charge projections for the respective neutrality charge periods are always based on the entire period under review up until 31 March 2025.
- Costs and revenues: The gas storage neutrality charge mechanism is designed so that all costs and revenues incurred in connection with the fulfilment of the law are allocated to the BGM. However, there are some costs and revenues associated with the gas storage neutrality charge which will also arise after the end of this period, such as financing costs or revenues associated with gas storage neutrality charge invoicing for the contract month of March 2025 (which will not happen before May 2025). These circumstances in the period under review are also taken into account for the projections. Also included in the projected costs and revenues are the effects of the time lag between the payment to the entitled companies and the receipt of the revenues from the neutrality charges.
- Quantities subject to the neutrality charge: The gas storage neutrality charge is levied on all SLP, RLM and physical exit quantities at cross-border interconnection points and virtual interconnection points.

The gas storage neutrality charge is calculated using the following formula:

$$\text{Gas storage neutrality charge}_{p+1} = \frac{\text{projected neutrality charge account}_p \text{ (EUR)} + \sum \text{projected costs}_n \text{ (EUR)} - \sum \text{projected re}}{\sum \text{projected quantity subject to neutrality charge}_n \text{ (MWh)}}$$

Gas storage neutrality charge_{p+1} = Neutrality charge amount for the following neutrality charge period p+1

Projected neutrality charge account_p = Projected neutrality charge account balance at the end of the current neutrality charge period p (can be positive or negative); includes the projected neutrality charge revenue from the current neutrality charge period.

Projected costs_n = Projected costs for the neutrality charge period p+1 until the end of the statutory period, n

Projected revenues_n = Projected revenues for the neutrality charge period p+1 until the end of the statutory period, n

Projected quantity_n subject to neutrality charge = Projected quantity subject to neutrality charge for the neutrality charge period p+1 until the end of the statutory period, n

2.1 Basic procedure

Forecasting the individual costs and revenues for the entire period up until 31 March 2025 requires the quantities for the individual product groups to be determined first. This involves using historical data for mathematical models to predict future scenarios. These scenarios are combined with probabilities of occurrence and supplemented by market updates. The aim of the gas storage neutrality charge mechanism is to have a balanced position on 31 March 2025 that covers all relevant cost and revenue items. If the projected costs described below exceed the projected revenues in the period under review, THE will levy a neutrality charge to ensure cost recovery.

2.1.1 Quantities and prices

The following quantities are relevant for the cost and revenue projections:

- Cost side: call orders for gas quantities under Strategic Storage Based Option (SSBO), Stages 1 and 2
- Cost side: injections of gas quantities under Stage 3
- Revenue side: withdrawals of gas quantities under Stage 3
- Base value: gas quantity subject to the neutrality charge

Pricing is based on external price projections.

2.1.2 Costs

Apart from the costs resulting from the quantities and associated prices pursuant to section 2.1.1 above, the following cost components are particularly relevant for determining the gas storage neutrality charge:

- Costs for the use of the products in Stages 1 (SSBO), 2 (SSBO of Stage 2) and 3 (capacity bookings, gas procurement), including but not limited to costs resulting from capacity prices, transport costs, storage fees
- Distribution of surpluses
- Costs arising from the exercise of the MAM's right of first refusal pursuant to section 50f (1) sentence 2 no. 5 EnWG, insofar as such a right of first refusal is granted by way of an ordinance
- Other costs, insofar as such costs are attributable to the neutrality charge account, in particular financing and administrative costs

The total projected costs for the entire period under review up until 31 March 2025 amount to EUR 31,792.5 million.

2.1.3 Revenues

Apart from the revenues resulting from the quantities and associated prices pursuant to section 2.1.1 above, the following revenue components are particularly relevant for determining the gas storage neutrality charge:

- Revenues from neutrality charges levied for the previous and the current neutrality charge period
- Revenues from penalties for failing to comply with contractual obligations
- Other revenues, provided they are attributable to the neutrality charge account, e.g. interest

The projected revenues for the entire period under review up until 31 March 2025 (excluding revenues from the neutrality charge for future neutrality charge periods) amount to: EUR 29,420.7 million.

2.1.4. Revenues to be generated by neutrality charge

The difference between the projected costs and revenues is the amount to be generated with the gas storage neutrality charge to cover the costs incurred up until the end of the period under review. This amount is EUR 2,371.8 million.

2.1.5 Quantity subject to the neutrality charge

The gas storage neutrality charge is levied in accordance with the statutory provisions on all quantities physically withdrawn from a balancing group on a daily basis at SLP and RLM exit points and at cross-border interconnection points or virtual interconnection points. For the projections made for these quantities, the historical five-year average was used and supplemented by estimates that can be derived from current findings.

The projected quantities per group are shown in the table below.

Period	SLP projection [MWh]	RLM projection [MWh]	Physical exit quantity projection [MWh]	Total [MWh]
01.10.2022 – 31.03.2025	1,015,511,187	1,283,478,972	1,705,517,786	4,004,508,630

3 Result

The gas storage neutrality charge for the period from 1 October 2022 to 31 December 2022 is 0.59 EUR/MWh. The gas storage neutrality charge for the next neutrality charge period will be published on 18 November 2022 at the latest and will apply from 1 January 2023 until 30 June 2023.