

Annex 4:

Product Description “Flexibility Services”

Long-term Contracts on the Option of Temporarily Supplying (‘Borrowing’) and Receiving (‘Parking’) Gas Quantities for Trading Hub Europe GmbH at Short Notice

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1 Product Features

(1) "Flexibility Services" (hereinafter also referred to as "FLEX Product") are non-standardised Balancing Products under which the Market Area Manager Trading Hub Europe GmbH (hereinafter also referred to as "MAM") makes use of flexibility services provided by providers ("Providers"). Under a FLEX Product the MAM may

- temporarily receive gas quantities from a Provider for the purpose of balancing an undersupply of gas in the Market Area (hereinafter referred to as "Borrowing");
- temporarily supply gas to a Provider for the purpose of balancing an oversupply of gas in the Market Area (hereinafter referred to as "Parking").

Providers who agree to provide a FLEX Product undertake to ensure that the agreed delivery capacity is available to the MAM, and to receive or supply (as the case may be) a specified gas quantity from or to the MAM on receiving an instruction to this effect from the MAM ("Call Order") in accordance with the provisions set out below.

(2) The Provider shall in each case supply or receive (as the case may be) an exact gas quantity in kWh at a specified physical entry or exit point (as the case may be) located in the agreed Balancing Zone or Sector pursuant to section 3 (2) of the Terms and Conditions for External System Balancing Actions. Connection points to production facilities cannot be used. The Provider shall start supplying or receiving (as the case may be) the instructed gas quantity within a few minutes but in any case no later than 90 minutes after receiving the corresponding service instruction in accordance with section 9 below (hereinafter referred to as "Lead Time"). All gas quantities supplied or received by the Provider shall in each case be returned or received back at the point where the gas was originally supplied or received. The maximum working gas volume available in each case in each direction (Parking and/or Borrowing) shall be determined by multiplying the firm hourly delivery capacity offered by the Provider by the factor 36 (1.5 days).

(3) The FLEX Product may be provided on a firm basis ("Firm Flexibility Services"; see section 2 below) or on an interruptible basis ("Interruptible Flexibility Services"; see section 3 below).

2 Firm Flexibility Services

Where a Provider has agreed to provide a Firm Flexibility Service, the Provider has an obligation to procure throughout the entire term of the relevant System Balancing Transaction Agreement pursuant to section 3 (5) (a) of the Terms and Conditions for External

System Balancing Actions that the full delivery capacity pursuant to section 1 (2) is available to the MAM, and to receive or supply (as the case may be) a specified gas quantity from or to the MAM on receiving a Call Order from the MAM.

3 Interruptible Flexibility Services

- (1) Where a Provider has agreed to provide an Interruptible Flexibility Service, the Provider shall, as a rule, procure that the full delivery capacity agreed under the relevant System Balancing Transaction Agreement is available, and to receive or supply (as the case may be) a specified gas quantity from or to the MAM on receiving a Call Order from the MAM. However, after conclusion of the contract the Provider shall have the right to limit the scope of its obligation to procure availability of the agreed capacity for quantities to be supplied and received, or to revoke or alter any such limitations previously communicated, by providing notice to this effect to the MAM (hereinafter referred to as “Availability Change Notice”).
- (2) An Availability Change Notice may have the effect of limiting a Provider's obligation to ensure availability of the agreed capacity for quantities to be supplied and received to specified periods of time. In addition, the Provider may submit Availability Change Notices to reduce capacity for quantities to be supplied and received (in part as well as down to zero). The Provider may also state that an Availability Change Notice is to apply to Parking or Borrowing only. Except where a Provider declares its Parking or Borrowing services unavailable in their entirety, section 4 shall apply without restriction to the remaining lot size. Where an Availability Change Notice is in force, the scope of the Provider's obligation to ensure availability of the agreed capacity for quantities to be supplied and received shall be defined by and limited to the scope specified in such Availability Change Notice. Any limitations in availability can only be declared on a full-hour basis.
- (3) Where an Availability Change Notice is to the effect of declaring the relevant Provider's delivery capacity as entirely unavailable during a specified period of time (hereinafter referred to as “Non-Availability Notice”), thereby releasing the Provider from its obligation to ensure availability of such delivery capacity, the balance of the relevant Gas Account pursuant to section 5 below shall remain frozen for the duration of such period of time. Once the Non-Availability Notice ceases to be in force, the Provider's Gas Account will be continued based on this account balance.

- (4) For such time as a Non-Availability Notice is in force, the MAM shall be released from its obligation to pay the fees and/or charges agreed under the corresponding System Balancing Transaction Agreement. Where an Availability Change Notice reduces the capacities for quantities to be supplied and received to be kept available by the relevant Provider, the fees and/or charges payable to the Provider shall be reduced accordingly.
- (5) Any Availability Change Notice shall be submitted to the MAM without undue delay via telephone by calling the number of the 24/7 dispatching hotline and also by e-mail to the MAM's dispatching centre. Both the e-mail address and the 24/7 hotline are published on the MAM's website¹.

4 Lot Size

The minimum lot size for each flexibility bid is 50 MWh/h. Flexibility Bids may also specify a delivery rate greater than this minimum lot size, to be stated in whole MWh/h increments.

5 Gas Account

- (1) All gas quantities received or supplied by a Provider under a Flexibility Service Agreement will be recorded in a gas account (hereinafter referred to as "Gas Account"), with separate Gas Accounts being set up for each Flexibility Service Agreement. In each Gas Account the net gas quantities supplied and received by the relevant Provider will be continuously netted so that the balance of each Gas Account reflects either an overall gas quantity supplied to the MAM by the Provider (negative Gas Account balance below 0 kWh) or an overall gas quantity received by the Provider from the MAM (positive Gas Account balance above 0 kWh). All gas quantities entered in a Gas Account will be recorded in kWh. The responsibility for keeping and updating each Gas Account lies with the MAM.
- (2) The initial opening balance of each Gas Account at the start of the contract period will always be zero. Any remaining positive or negative account balances will, if possible, be settled at the end of the relevant contract period, with settlement always being effected by way of physical delivery of gas.
- (3) If a Provider is unable to make or take physical delivery of the relevant gas quantity, the following shall apply:

¹ www.tradinghub.eu

- (a) If the Gas Account has a positive balance at the end of the contract period, the Provider shall purchase the remaining gas quantity from the MAM,
- (b) If the Gas Account has a negative balance at the end of the contract period, the MAM shall reimburse the Provider for the shortfall (differential up to 0 kWh).

The price to be paid in such cases shall be calculated on the basis of the mean value of the volume-weighted average gas prices determined pursuant to section 14 (4) (a) and/or (b) second bullet point sentences 2-3 of the Terms and Conditions for the Balancing Group Contract for the contract period, multiplied by the residual quantity.

- (4) As a rule, the Provider shall be obliged to enable the MAM to physically balance the system at the end of the contract period to the extent that this is reasonable and possible for the MAM when considering the agreed capacities for quantities to be supplied and received. If a Provider refuses to make or take physical delivery of the relevant gas quantity in breach of its obligations the MAM shall to this extent be released from its obligation to pay the fees and/or charges agreed under the relevant Balancing Product. In this case, there shall be no monetary settlement of the remaining Gas Account balance in accordance with section 5 (3).
- (5) If the MAM accepts flexibility bids from the Provider for successive contract periods, the final Gas Account balance of the previous contract period will normally be carried forward as the initial Gas Account balance of the following contract period. In that case, the Gas Account of the previous contract period shall be deemed to be balanced.

6 Pricing

- (1) In each flexibility bid Providers shall specify a commodity charge in EUR/MWh for the receipt or supply of gas under a Call Order when submitting a flexibility bid ("Commodity Charge"). For the purpose of calculating the charge payable in each case, each Provider shall select one of the following calculation methods when submitting a flexibility bid:
 - **Calculation Method 1:** For each hour during the term of the contract period, the Commodity Charge quoted by the Provider will be multiplied by the closing balance in MWh calculated for the relevant Gas Account for that hour, with the resulting hourly products always having a positive sign.
 - **Calculation Method 2:** For each Call Order, the Commodity Charge will be multiplied by the input of offtake quantity in MWh called off by the MAM.
- (2) Where a flexibility bid is for a Firm Flexibility Service, the Provider shall have the right to specify a capacity charge to be paid to the Provider for holding the agreed delivery

capacity available (“Capacity Charge”). Any such Capacity Charge must always be stated as a positive number and will be paid independently of the gas quantities actually received and/or supplied by the Provider. Where a Provider fails to specify a Capacity Charge when submitting its flexibility bid, the applicable Capacity Charge will be deemed to be zero.

7 Submitting Bids

- (1) In addition to the general provisions pursuant to sections 3 and 4 of the Terms and Conditions for External System Balancing Actions, the submission of flexibility bids shall be governed by the provisions of this section 7.
- (2) Each flexibility bid must contain at least the following information:
 - the identity of the Provider,
 - the delivery capacity offered by the Provider for the Parking and Borrowing of gas quantities, with due regard to the valid lot sizes specified in section 4,
 - the balancing zone or sector and physical entry and/or exit point where the gas is to be supplied and/or received, as specified in the relevant invitation to tender,
 - information as to whether the flexibility bid is for a Firm Flexibility Service or for an Interruptible Flexibility Service,
 - the Commodity Charge and Calculation Method to be applied pursuant to section (1)) above.
 - the balancing group contract number of a balancing group contract of the Provider in the gas quality of the physical entry or exit point (place of supply and/or receipt) to which the flexibility bid refers.

If the flexibility bid is for a Firm Flexibility Service, the Provider may also specify a Capacity Charge in EUR in accordance with section (2)) above. All prices stated must be exclusive of any applicable taxes.

- (3) Providers have the right to amend their flexibility bid in a side letter containing provisions that deviate from this product description. The side letter must be signed and sent as a scan to the MAM by e-mail. The MAM will confirm receipt by e-mail. Once a bidding period has ended, all Providers will be bound by their flexibility bids.
- (4) If the Provider is aware before the end of the bidding period that maintenance work at the entry or exit point offered by the Provider is scheduled for the contract period which in any case partially restricts the obligations under this Product Specification, the Provider is obliged to notify the MAM of this maintenance measure and to take into

account the (partial) non-fulfilment of its obligations pursuant to section 1 (2) above resulting from the maintenance in its bid price calculation.

8 Acceptance of Bids

- (1) In addition to the general provisions pursuant to section 5 of the Terms and Conditions for External System Balancing Actions, the acceptance of flexibility bids shall be governed by the provisions of this section 8.
- (2) The ranking of the offers for Firm Flexibility Services product shall be based on the specific projected costs determined as described below.
- (3) The specific projected costs of each flexibility bid will be determined according to the following formula:

$$PC_{\text{Flex}} = (\text{Cap} + \text{Com} \times \text{Qty}) / \text{LS}$$

where

PC_{Flex} : the specific projected costs of the flexibility bid, expressed in EUR/MWh/h

Cap: the Capacity Charge in EUR quoted by the Provider, considered pro rata for partial acceptance

Com: the Commodity Charge quoted by the Provider, expressed in EUR/MWh per hour or in EUR/MWh depending on the Calculation Method selected by the Provider

Qty: the projected estimated billable quantity in MWh as determined in accordance with the Calculation Method selected by the Provider pursuant to section (1)) above and the lot size of the offer; When determining the projected billable quantity, the projected duration of the balancing action in the contract period will particularly be taken into account, which will be determined by the MAM shall on the basis of appropriate assumptions and – if available – especially on the basis of empirical values.

LS: the lot size in MWh/h

- (4) The MAM will accept as many bids for the Firm Flexibility Services in accordance with section 5 of the Terms and Conditions for External System Balancing Actions as necessary until the MAM's flexibility requirement for the relevant balancing zone or sector put out to tender has been fully met. The bids for different balancing zones or sectors put out to tender will be considered as a whole, provided this is technically possible and feasible in the light of the MAM's experience with the FLEX Product. The MAM will consider bids for Interruptible Flexibility Services with a lower priority. The MAM

may also accept such bids in excess of the demand for Firm Flexibility Services.

- (5) If the Provider has modified its bid in a side letter in accordance section 7 (3), the MAM may give this bid lower priority when accepting the bid.
- (6) If scheduled maintenance work pursuant section 7 (4) is known before the bid is accepted, this bid may be accepted by the MAM with a lower priority.
- (7) The MAM shall have the right to accept any flexibility bid in part only if the full flexibility bid would exceed the balancing requirement or in cases pursuant to section 5 (4) of the Terms and Conditions for External System Balancing Actions. Where a flexibility bid is accepted in part only, the Capacity Charge quoted in that flexibility bid will be adjusted proportionately. Partial acceptance of a flexibility bid shall not affect the Commodity Charge quoted in that flexibility bid, which will remain unchanged.
- (8) On acceptance by the MAM of a flexibility bid pursuant to section 5 of the Terms and Conditions for External System Balancing Actions, the Provider shall have an obligation to set up the operational processes required in order for the Provider to be able to communicate with the MAM, or an authorised network operator acting on behalf of the MAM, before the start of the relevant contract period. To this end, the Provider shall provide the MAM, within ten (10) business days of the MAM's acceptance of the bid, with the contact details of the contact persons responsible for the Call Order who shall be available for this purpose at any time. This includes the telephone number and e-mail address of said contact persons.

9 Call Orders

- (1) In addition to the general provisions pursuant to section 6 of the Terms and Conditions for External System Balancing Actions, the provisions of this section shall apply to the execution of Call Orders.
- (2) For FLEX Call Orders, the availability status in accordance with section 3 must also be taken into account. Bids with the non-availability status will not be taken into account for the Call Order. If the bid capacity for quantities to be supplied and received has been restricted following a change in availability, only the newly adjusted capacity shall be taken into account for the Call Order.
- (3) Partial use of the capacity offered shall be permissible.
- (4) The MAM shall have the right to authorise any transmission system operator to issue Call Orders on the MAM's behalf. The Call Order shall then be given in close coordination

between the authorised transmission system operator and the supplier or a third party authorised by the supplier. The gas quantities called under a Call Order are neither nominated nor assigned to the Provider's balancing group.

- (5) For the purpose of supplying or receiving gas under a Flexibility Service, Providers shall have no obligation to book capacity at any physical entry or exit point.

10 Test Call Orders

- (1) The MAM may occasionally issue unannounced call orders outside the MOL in accordance with section 6 of the Terms and Conditions for External System Balancing Actions and/or in accordance with section 9 of this Product Description in order to test the system functionality and reliability of its call options (hereinafter also referred to as "Test Call Orders").
- (2) In particular, without limitation, Test Call Orders pursuant to paragraph (1) may be issued to a Provider where considerable time has passed since a Call Order for call of a balancing product in accordance with this Product Description was last issued to the Provider or where there is objective evidence indicating that the Provider may not duly comply with its obligations on receiving a Call Order.
- (3) The MAM will publish the Test Call Order on its website as an MOL deviation. In all other respects, Test Call Orders are regular Call Orders to which the other provisions of the Terms and Conditions for External System Balancing Actions, with the exception of section 12, and the provisions of this Product Description apply without restriction.

11 Provider's Duty to Prove Compliance with Contractual Obligations

On request by the MAM, the Provider shall prove in a suitable manner that it has duly complied with its obligations under this Product Description, especially, without limitation, that it has ensured its availability to supply (System Buy) or receive (System Sell) gas at all times in accordance with sections 2 and/or 3 of this Product Description and, in the case that a Call Order was issued, that it has supplied or received gas in accordance with sections 1 (2) of this Product Description, respectively.

12 Penalty

- (1) If in any single or several hours of a contract period a Provider fails to comply with its obligations under this Product Description, whether in whole or in part, the Provider shall
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pay a penalty to the MAM in accordance with section 12 (2) of this Product Description. The foregoing shall not apply where the Provider submits evidence to the MAM that it cannot be held responsible for the breach in question.

- (2) The penalty according to section 12 (1) shall be payable in respect of each hour in which the Provider has been in breach of its obligations. The amount of the penalty to be applied shall be determined in accordance with the following formula:

$$P_h = GD_h * (CC / h_{CP})$$

where

P_h = The contractual penalty in EUR payable for one hour of the contract period in which a breach of duty occurred

GD_h = Gas deficit in MWh affected by the breach of duty

CC = Highest Capacity Charge in EUR/MW contracted by the Provider according to this Product Description per contract period, calculated across all bids contracted by the Provider

h_{CP} = Number of hours of the contract period that can be called up under the bid pursuant to section 7 (3) and (4)

- (3) The assertion of further claims for damages by the MAM shall remain unaffected. Any penalty to be paid in accordance with this section will be offset against any compensation to be paid.