



- Ruling Chamber 7 -

File reference: BK7-11-002

25 March 2021

File reference: BK7-16-050

Notification no 2 regarding the determination on the introduction of a conversion system in cross-quality gas market areas in the form of the amended determination

Here: Implementation of the obligation to form a joint market area within the meaning of section 21(1) Gas Network Access Ordinance (GasNZV)

Pursuant to section 21(1) GasNZV, the transmission system operators that form the market areas according to section 20 are required to cooperate, with the objective of increasing the liquidity of the gas market, and to form a joint market area from the two existing market areas no later than 1 April 2022 onwards. The transmission system operators are fulfilling this obligation through the merger ahead of schedule of the current market areas NetConnect Germany (NCG) and GASPOOL Balancing Services (GASPOOL) to form the new "Trading Hub Europe" (THE) market area with effect from 1 October 2021. On 9 March 2021 the market area managers submitted to the Ruling Chamber a letter in which they set out further details of planned measures in connection with the conversion system and the forthcoming market area merger and requested that the Bundesnetzagentur provide them with feedback, ideally in the form of a corresponding notification.

Pursuant to section 21(2) first sentence GasNZV, the regulatory authority examines whether the obligations under section 21(1) GasNZV are fulfilled. For that reason, over the past months the Ruling Chamber has already been in close dialogue with the transmission system operators and market area managers, in particular regarding the future design of the joint THE market area. In the aforementioned letter the market area managers have now outlined several intended corporate decisions (for example on the merging of the neutrality charge accounts) relating to the joint market area. The Ruling Chamber is therefore using this letter as an opportunity to present its view on the compatibility of the decisions with the provisions of the determination on the introduction of a conversion system in cross-quality gas market areas (file reference BK7-11-002) in the form of the amended determination (file reference BK7-16-050, hereinafter "conversion determination") in order to establish sufficient transparency and legal certainty for all market participants at an early stage. This is necessary for the particular reason that the conversion determination includes no specific provisions concerning a future market area merger because no such merger was foreseeable at the time when the determination was issued in 2012 and 2016 respectively.

On the date of the entry in the commercial register, expected to be 1 June 2021, the market area managers will carry out the corresponding merger under company law between NetConnect Germany GmbH & Co. KG and GASPOOL Balancing Services GmbH with a change of name to Trading Hub Europe GmbH in order in particular to implement processes at an early stage and

Bundesnetzagentur für
Elektrizität, Gas, Telekommunikation, Post und
Eisenbahnen
Behördensitz: Bonn
Tulpenfeld 4
53113 Bonn
☎ (02 28) 14-0

Telefax Bonn
(02 28) 14-88 72

E-Mail
poststelle@bnetza.de
Internet
<http://www.bundesnetzagentur.de>

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ensure a smooth start for the joint market area from 1 October 2021 onwards. The Ruling Chamber considers an early merger of this nature to be expedient as it in particular ensures that the changeover of the various operational processes (for example those resulting from consolidation of the balancing group contracts, registrations etc) relating to the market area merger will proceed smoothly.

With regard to implementation of the provisions of the conversion determination, however, this means that prospectively as of 1 June 2021 Trading Hub Europe GmbH will assume all rights and obligations. As a consequence of this, during the period from 1 June 2021 to 30 September 2021 it must be ensured that the two market areas continue to be operated separately by Trading Hub Europe GmbH since the provisions of the conversion determination will still apply separately to each of the two market areas that will continue to exist until 30 September 2021. That said, the market area managers have given assurance that this will be the case, such that there are no concerns regarding an early merger expected to take place on 1 June 2021.

As of 1 October 2021, all obligations under the conversion determination for the merged cross-quality market area must be met by Trading Hub Europe GmbH. For example, as of 1 October 2021 the publication obligations within the meaning of operative provision 4 of the conversion determination shall apply solely in relation to the joint THE market area. With regard to publications from the past relating to the former market areas, the market area managers have given assurance that these will continue to remain available on the THE website, which the Ruling Chamber expressly welcomes.

With regard to the merging of the conversion accounts, the market area managers intend to carry over the balances of the conversion accounts at the end of the 2020/2021 gas year contribution period to the THE conversion account by arithmetical addition of the balances. In the opinion of the Ruling Chamber there are no regulatory concerns regarding the merging of the conversion accounts in this way. In particular, in the view of the Ruling Chamber a "full distribution" would not be an equivalent or more appropriate alternative. A "full distribution" would possibly result in Trading Hub Europe GmbH initially not having sufficient financial resources available on 1 October 2021 to perform its tasks to the proper extent under GasNZV or the conversion determination, for example. Instead the necessary financial resources, partly in the form of the corresponding liquidity buffer, would have to be built up by levying a high charge. In the past, however, stabilisation of the charges was very much an important issue for many market participants. This goal, which is also a matter of considerable importance for the Ruling Chamber, would be contradicted by a "full distribution". Likewise the Ruling Chamber sees no regulatory requirement to continue running the existing conversion accounts after 1 October 2021 until all existing periods have been fully settled. As long as proper settlement of the existing periods is guaranteed by Trading Hub Europe GmbH even after 1 October 2021, which the market area managers have assured will be the case, continuation of the existing conversion accounts alongside the THE conversion accounts offers no advantage in the opinion of the Ruling Chamber. The resulting additional effort and costs would bear no reasonable relationship to the benefit. It must be pointed out, however, that an arithmetical addition of the balances can only be considered if the cost and revenue forecast including the liquidity buffer reveals a corresponding financial need for the joint THE market area, because otherwise a "partial distribution" would have to be issued in accordance with the provisions of the conversion determination (see section 8(1) standard agreement on conversion).

Finally, it must be pointed out that, until the market area merger takes place on 1 October 2021 and beyond, the Ruling Chamber will of course continue to support the corresponding process and will be at the disposal of the market participants as a point of contact on matters that for example have already been discussed in detail in the context of the market dialogues and network forums on Cooperation Agreement XII, in order in particular to continue to ensure compliance with the regulatory requirements.