



Market measures before and during a gas deficit situation

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Background

A range of market instruments that can help to reduce industrial gas consumption are already available. These instruments, which are described below, are now going to be effectively expanded. The Bundesnetzagentur is consulting closely with the industrial and energy sectors on this issue and is pushing ahead with additions to the measures.

Balancing gas

The market area manager, Trading Hub Europe (THE), uses balancing gas whenever there is an imbalance between the volumes of gas withdrawn from and injected into the system. Balancing gas is the main means of balancing injection and consumption, including during a gas deficit situation.

Existing balancing gas products

The exchange-based balancing gas products currently procured by THE and the balancing gas products on THE's platform are established instruments put out to tender in market-based procedures. In principle, gas consumers can already participate in both these. In particular, the existing Long Term Options (LTOs) and Short Term Balancing Services (STBs) are products that can be used by industrial consumers.

- LTOs: the volume to be put out to tender is agreed on before each winter by THE, the Federal Ministry for Economic Affairs and Climate Action (BMWK) and the Bundesnetzagentur. It is possible to hold special tenders at short notice during the winter to additionally secure the balancing gas required.
- STBs: tenders are only held at short notice as required.

The load flow commitments used in Baden-Württemberg work in a similar way to balancing gas products and involve companies committing to reduce gas consumption when there are network restrictions.

They are of only limited interest to industrial gas consumers since an advance commitment requires a high degree of flexibility in production processes.

THE's new short-term balancing gas product is now planned to join the existing products, with the cooperation of industry. The expanded options will make it easier for industrial customers, together with their suppliers, to participate in the balancing market.

„Gas auction model“ as new, additional balancing gas product

THE, the BMWK and the Bundesnetzagentur are working together on the design of a new, short-term balancing gas product with especially flexible product parameters that will enable industrial gas consumers to reduce their consumption. The gas saved can be used by suppliers to stabilise the system.

The Bundesnetzagentur has requested THE to introduce this kind of balancing gas product in the near future so that major industrial consumers can display their willingness to reduce their gas consumption at times of their own choosing. The idea is to give industrial consumers for the first time the opportunity to make their shut-down potential available to the balancing market and thus provide as much gas as possible for any situations this winter when restrictions could arise. Providers, that is, the suppliers of industrial customers or industrial customers who manage balancing groups themselves, will be able to make their offers to provide gas volumes via THE's balancing gas platform. THE will be able to make use of these offers in the event of restrictions. The lowest bids will be successful, as in an auction. Providers will have a high level of flexibility. The aim is to reflect different production processes to the greatest extent possible. Companies will be able to have a say in when it makes sense for their processes to be scaled down or stopped. This will no longer be possible if the potential for balancing gas is completely exhausted and the Bundesnetzagentur orders reductions in consumption. As is standard practice in the balancing market, the costs will be borne in the form of a surcharge by the balance responsible parties (traders, suppliers, etc) and will thus be part of the gas price.

The Bundesnetzagentur is consulting intensively with representatives of industry and the energy sector on the design of the new balancing gas product. It is now up to industrial customers to create the necessary contractual conditions and prepare to submit bids in conjunction with their suppliers.

The balancing gas product can be introduced without legal amendments and is not subject to approval from the Bundesnetzagentur. The launch is planned for summer 2022.

Gas Storage Act/SSBOs

In accordance with the Gas Storage Act, which came into force on 30 April 2022, THE has to put Strategic Storage-Based Options (SSBOs) out to tender in order to ensure security of supply. These are composed of two contractual components. Firstly, the storage users commit to putting a certain volume of gas physically into storage by certain deadlines. Secondly, THE gets access to a portion of these volumes. SSBOs are thus also directed at the gas traders that can offer them by using the volumes of gas freed up from their supply contracts thanks to reductions by their „normal“ customers. SSBO bids can also be submitted in cooperation between an industrial customer and its supplier.

THE conducted two SSBO tender procedures in May/June 2022. It contracted a total of 84 TWh of gas in the German gas storage facilities (48 TWh in the first tender and 36 TWh in the second).

The (spot) market in the emergency level

The European Energy Exchange EEX plans to keep spot trading running even if a gas deficit situation should occur. The Bundesnetzagentur welcomes this intention. Even during an emergency level, the market sends out important price signals so that existing supply obligations and the balancing of balancing groups can be organised on the basis of the market. The exchange would thus offer market participants the opportunity to conclude transactions even in the event of a crisis and incentives to import as much gas as possible to Germany would remain.