

Appendix 2

“Short-Term Balancing Services” Product Description

Short-term purchase (System Buy) or sale (System Sell)
of gas by Trading Hub Europe GmbH

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1 Product Design

- (1) This Product Description sets out the arrangements governing the Short-Term Balancing Services Product (“STB Product”). Providers who contract with the market area manager Trading Hub Europe GmbH (“MAM”) for the STB Product undertake to supply (System Buy) or receive (System Sell) a specified gas quantity at a constant hourly rate in accordance with the provisions set out in this Product Description on receiving an instruction to this effect from the MAM (“Call Order”), starting from the relevant hour from which the Provider is instructed to supply (System Buy) or receive (System Sell) gas (“Call Hour”) as stated in the corresponding Call Order, up until the end of the relevant gas day, i.e. for a maximum of 24 hours per gas day and a minimum of 1 hour per gas day¹ (the “Contract Period”). Except where a Call Order is issued in respect of the last hour of a gas day only, the STB Product does not involve the supply (System Buy) or receipt (System Sell) of gas during specified individual hours of a gas day. The Provider has an obligation to ensure that it will supply (System Buy) or receive (System Sell) an instructed gas quantity on the instructed gas day from the relevant Call Hour onwards, provided the MAM issues the relevant Call Order in good time in accordance with section 5 below and in compliance with the Call Lead Time specified by the Provider pursuant to section 4 (2) below.
- (2) In its call for bids on the tender platform, the MAM shall specify one or more gas qualities or Balancing Zone(s) or Balancing Sector(s) within the Balancing Zone(s) (as the case may be) within the meaning of section 3 (2) of the Terms and Conditions for External Balancing Actions where the Provider offers to supply or receive gas (“Delivery Location”). When submitting a bid in accordance with section 4 below, the Provider will then specify the relevant Balancing Zone where the Provider offers to supply or receive gas (“Delivery Location”) and, in addition – if requested by the MAM – the relevant Balancing Sector. All gas to be supplied (System Buy) or received (System Sell) by the Provider in accordance with sections 1 (3) and/or 1 (4) below shall be supplied or received in the said Balancing Zone or Balancing Sector. If, when submitting a bid in response to a tender not relating to one or several Balancing Sector(s) defined by the MAM, the Provider voluntarily also names a specific Balancing Sector or a specific entry or exit point, the Provider’s obligations shall nevertheless relate to the entire Balancing Zone referred to by the Provider.
- (3) When issuing a Call Order, the Provider shall cause the required physical effect via its balancing group(s) by making corresponding nominations or renominations in respect of cross-border interconnection points, virtual interconnection points within the meaning of Article 19 (9) of Regulation (EU) 2017/459 of 16.03.2017 (Network Code on Capacity

¹ On days when the clocks change from or to daylight saving time, a Call Period may comprise up to 25 or 23 hours, respectively.

Allocation Mechanisms) or storage connection points so as to initiate physical inputs or offtakes of gas in accordance with sections 1 (1) and 1 (2) above. Connection points to production or LNG facilities shall not be used for this purpose.

(a) In so doing the Provider shall,

- where it has agreed to supply gas to the MAM (System Buy), on balance increase its physical inputs of the "Entryso" and/or "EntrySP" data series type in the amount of the Call Order and/or reduce its physical offtakes of the "Exitso" and/or "ExitSP" data series type accordingly, or
- where it has agreed to receive gas from the MAM (System Sell) in the Balancing Zone or Balancing Sector to which the Call Order relates, on balance increase its physical offtakes of the "Exitso" "ExitSP" data series type in the amount of the Call Order and/or reduce its physical inputs of the "Entryso" and/or "EntrySP" data series type accordingly.

The required change in the Provider's physical inputs and/or offtakes shall be determined on the basis of the most recent nomination status for the Contract Period at the time of the Call Order as confirmed by the competent network operator.

The decisive factor for assessing the physical effect shall be the sum of the physical inputs (Entryso and EntrySP) minus the sum of the physical offtakes (Exitso and Exit SP) of the Provider at all entry and exit points allocated to the respective Balancing Zone or Balancing Sector. For entry and exit points which are allocated to more than one Balancing Zone or Balancing Sector, the entry and exit quantities at these entry and exit points shall as a rule be allocated in full to the Balancing Zone or Balancing Sector called, i.e. the inputs and offtakes shall not be allocated to the individual Balancing Zones or Balancing Sectors. The same input or offtake shall not be used multiple times for the purpose of causing a physical effect.

The nominations or renominations required to cause the physical effect shall be made within the (re-)nomination period of the first delivery hour for all hours of the Contract Period with a constant hourly capacity.

(b) The physical effect pursuant to paragraph (a) above shall be maintained in full throughout the entire Contract Period, i.e. nominations or renominations which result in a change, on balance, in the physical inputs and offtakes (Entryso, EntrySP or Exitso and ExitSP) of the Provider in a delivery hour contrary to the direction of the Call Order are not permitted. Notwithstanding the foregoing, a change in the physical

balance of inputs and offtakes of the trading party contrary to the direction of fulfilment shall be permissible by way of exception,

- (aa) if such change is made in fulfilment of another Call Order by the MAM for an STB or LTO product which was issued for the same or part of the Balancing Zone or Balancing Sector in a direction opposite to that in which the previous Call Order was issued;
 - (bb) if such change is made for balancing purposes in order to balance a change in demand of a consumption-metered (RLM) end user allocated to a balancing group or balancing subgroup of the Provider, which occurred after the Call Order was issued by the MAM. In such cases, the Provider shall retain meaningful evidence to document the Provider's level of knowledge and the chronological processes in a manner that is comprehensible for the MAM;
 - (cc) if such change results from the fulfilment of a load flow commitment which the Provider had contracted at an entry or exit point of the traded Balancing Zone or Balancing Sector and which was called off by the respective transmission system operator after the Call Order by the MAM contrary to the direction of fulfilment called by the MAM.
- (4) Other than described in section 1 (3) above, the Provider may also cause the required physical effect by securing that an end user who receives gas at an exit point equipped with a supply meter installation that records hourly consumption (each such exit point an “RLM Exit Point”) and whose RLM Exit Point is registered to the balancing group of the Provider
- reduces its demand in the instructed Balancing Zone or Balancing Sector accordingly where the Provider has agreed to supply gas to the MAM (System Buy), or
 - increases its demand in the instructed Balancing Zone or Balancing Sector accordingly where the Provider has agreed to receive gas from the MAM (System Sell).

Throughout the relevant Call Period the Provider shall then procure that the physical offtakes made at one or several such RLM Exit Points (each a “Reference Exit Point”, with eligible RLM Exit Points being those assigned to the allocation groups “RLMmT”, i.e. RLM Exit Points with a flat allocation profile, or “RLMoT”, i.e. RLM Exit Points with a structured allocation profile) are reduced (System Buy) or increased (System Sell) by an amount

equal to the lot size agreed pursuant to section 2 below (i.e. if the Provider uses several Reference Exit Points to deliver the required physical effect, the total offtake reduction or increase must be equal to this amount), with the offtake reduction or increase being measured in relation to the quantity of gas which was offtaken at the Reference Exit Point(s) in the hour in which the MAM issued the relevant Call Order (the “Demand Response Reference Quantity”). During the Call Period, the sum of the actual hourly offtake(s) of the Reference Exit Point(s) shall, in the case of System Buy, not exceed the difference between the Reference Quantity and the lot size pursuant to section 2 or, in the case of System Sell, shall not fall below the sum of the reference quantity and the called capacity.

With regard to the inputs and offtakes of the Provider of the Entryso, EntrySP and Exitso and ExitSP data series types in the called Balancing Zone or Balancing Sector, section 1 (3) (b) shall apply mutatis mutandis.

The change in consumption made to cause the physical effect in accordance with this section 1 (4) shall be purposefully made in response to the Call Order and shall, in particular, not have already been initiated at the time of the Call Order.

- (5) The Provider is aware that compliance with the above obligations requires entry or exit capacity (as the case may be) at the Delivery Location (i.e. in the relevant Balancing Zone or Balancing Sector) that is at least equal to the delivery rate offered by the Provider and that it is the responsibility of the Provider to procure the availability of such entry or exit capacity.
- (6) Delivering on the relevant Call Order by making use of the virtual gas quality conversion mechanism is not permitted.
- (7) Except where the effect is caused via an end user with an RLM Exit Point pursuant to section 1 (4) above, the physical effect shall always be caused by the Provider itself. The physical effect shall not be caused by any third parties.
- (8) If the Provider culpably breaches its obligations under this agreement, section 8 shall apply. In addition, the MAM shall have the right to issue a warning to the Provider. If the Provider again breaches its obligations under this agreement, even after having received a warning, the MAM shall also be entitled to exclude the Provider from participating in the next tenders for LTO and STB products. The MAM shall have the right, after due consideration of the individual case, to exclude the Provider for up to twelve (12) months after receipt of the written notification submitted by the MAM. The foregoing shall be

without prejudice to section 7 of the Prequalification Rules for Participation in the Bilateral Balancing Market and the Terms of Use for the Bidding Platform of the MAM.

2 Lot Size

The lot size specified in an STB Bid must correspond to a delivery rate of at least 10 MWh/h. Bids may also specify a delivery rate greater than this minimum lot size, to be stated in MWh/h and expressed in whole numbers, up to a maximum lot size of 1,000 MWh/h.

3 Pricing

On all gas quantities supplied (System Buy) or received (System Sell) by a Provider, a commodity charge in EUR/MWh will be applied, which may result in a payment made either by the MAM or the Provider. No capacity charge will be applied.

4 Submission of STB 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 provisions of this section shall apply to the submission of LTO bids.

(2) All STB Bids must specify at least the following information:

- name of the Bidder,
- the hourly quantity offered to be supplied (System Buy) or received (System Sell), with due regard to the lot size pursuant to section 2 above,
- the commodity charge offered pursuant to section 3 of this Product Description,
- the applicable Call Lead Time, i.e. the response time after which the Provider must start supplying (System Buy) or receiving (System Sell) gas on receiving a Call Order from the MAM. The Call Lead Time applicable in each case must be expressed in whole hours and must be equal to or greater than one (1) but not greater than twenty-three (23) hours,

- a Balancing Zone or Balancing Sector as a location to supply (System Buy) or receive (System Sell) gas (Delivery Location) in accordance with the tender²,
 - the number of the relevant balancing group contract registered by the Provider in the gas quality of the respective Balancing Zone or Balancing Sector (Delivery Location) to which the bid refers
- (3) The contract is concluded in accordance with section 5 (6) of the Terms and Conditions for External Balancing Actions when a Call Order for the bid is issued.

5 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 process of issuing of Call Orders.
- (2) The MAM will issue a Call Order by sending a message in the MAM-specific REQUEST data format ("MAM-REQUEST") to the Provider. The Provider shall confirm receipt of the Call Order with a confirmation message in the corresponding MAM-specific REQRES data format ("MAM-REQRES"). This reconfirmation message is for control purposes only and does not affect the validity of the contract in respect of the relevant Balancing Product.
- (3) In the event that a Call Order cannot be issued using MAM-REQUEST for technical reasons, the Bidder shall be informed by telephone and by e-mail or in another suitable manner in text form via the contact point specified by the Bidder as part of prequalification process. In this case, the Provider shall confirm the Call Order accordingly by telephone and by e-mail or by other suitable means in text form. This reconfirmation is for control purposes only and does not affect the validity of the Call Order in respect of the relevant Balancing Product.
- (4) It is hereby pointed out that the available LTO Bids for the product variant RoD of the Long-Term Options Product Description ranked at rank 4 will be included in a combined Merit Order List (MOL) together with the bids placed for the Short Term Balancing (STB) Services Product if both are found to be equally suitable, taking into account the Delivery Location selected for the supply or receipt of the gas and the Lead Time pursuant to section 4 (2).

² There may be deviations from the presentation on the bidding platform. The specifications of the Terms and Conditions for System Balancing Actions, this Appendix as well as the respective tender shall be binding. All other technically possible information provided by the Provider shall be provided on a voluntary basis and shall not become a binding part of the contract unless provided for in the aforementioned documents.

The Call Orders for the bids will be issued in accordance with section 6 of the Terms and Conditions for External System Balancing Actions.

6 Processing of Call Orders at the VTP

- (1) For each Call Order issued by the MAM, the MAM will on behalf of the relevant Provider as well as in its own name make a nomination (single-sided nomination) at the VTP in accordance with the provisions set out in section 7.2 below for a gas quantity in the relevant gas quality (high CV gas and/or low CV gas) equal to the quantity stated in the corresponding REQUEST message. As part of this process, the quantities of several Bids of the Provider for which the MAM has issued Call Orders will be nominated together in the respective balancing group for each gas quality.
- (2) Where a Call Order is issued in respect of an STB Bid for the supply (System Buy) of gas by a Provider, the MAM will submit an output nomination at the VTP for gas to be offtaken from the Provider's balancing group as specified pursuant to section 4 (2) ("VTP Output Nomination"). Where a Call Order is issued in respect of an STB Bid for the receipt (System Sell) of gas by a Provider, the MAM will submit an input nomination at the VTP for gas to be delivered to balancing group as specified pursuant to section 4 (2) ("VTP Input Nomination").
- (3) A fee levied for the use of the VTP will also be levied for the nomination of gas quantities as part of Call Orders issued in accordance with this Product Description.
- (4) The transfer of title in respect of the gas quantities supplied or received as well as the transfer of risk between the Parties shall take place at the VTP for the agreed gas quality (high CV gas or low CV gas).

7 Provider's Duty to Prove Compliance with Contractual Obligations

- (1) 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 caused the required physical effect in accordance with sections 1 (3) to 1 (7).

- (2) The Provider agrees to the MAM requesting relevant evidence and data from the competent network operator, if required.

8 Penalty

- (1) The purchase (System Buy) or sale (System Sell) of gas quantities by the MAM in accordance with this Product Description constitutes an important market-related measure pursuant to section 16 (1) para. 2 of the Energy Industry Act (*EnWG*) for the purpose of ensuring network stability and security. For this reason, the MAM will levy a contractual penalty in accordance with section 8 (2) hereinbelow if a Provider fails to comply with its obligations under this Product Description either in whole or in part in any single or several hours of a Call Period . 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 amount of the penalty to be applied shall be determined in accordance with the following formula:

$$P = PR * CF$$

where

P = Penalty in EUR due for any breach of obligations

CF = Fee in EUR due for the Call Order pursuant to section 8 (1) and (2) of the Terms and Conditions for External System Balancing Actions, determined for the STB contract affected by the breach of obligations on the relevant Gas Day; if the MAM has called several offers of the Provider, they will be treated as a single STB contract within the meaning of section 3 (3) of the Terms and Conditions for System Balancing Actions for each single tender, product variant, call direction and Balancing Zone or Balancing Sector.

To determine the penalty rate, the MAM will first determine the Shortfall Rate according to the following formula:

$$SR = SQ / CQ$$

where

SR = Shortfall Rate in percent (rounded to two decimal places in accordance with good commercial practice)

SQ = Shortfall Quantity of the STB contract affected by the breach in kWh, i.e. the requested quantity for which a physical effect was not or not properly delivered

CQ = Call Quantity of the STB contract affected by the breach in kWh, i.e. the total quantity of gas requested from the Provider as part of the relevant STB contract

The Penalty Rate to be applied to a given Shortfall Rate is shown in the table below:

Shortfall Rate		Penalty Rate
from (>)	to (≤)	
	20%	5%
20%	40%	10%
40%	60%	15%
60%	80%	20%
80%	100%	25%

The penalty to be paid by the Provider pursuant to this section shall then be determined by applying the Penalty Rate to the Call Fee as defined hereinabove.

- (3) The MAM shall retain the right to claim further damages. Any penalty payable pursuant to this section shall be offset against any such damages payable.